

Affin Hwang Aiiman Global Multi Thematic Fund

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# Appetite for thematic investment grows amid rates and inflation concerns

In Collaboration With

Schroders

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*If inflation were to move up in ways that are unwelcome, we have the tools for that, and we will use them. No one should doubt that.*

■ Jerome Powell

Concerns around potential interest rate hikes and inflation expectations have cast a shadow on the outlook for the second half of 2021. However, we continue to take a positive view on the market, as rising interest rates have limited impact on markets, and the inflation spike we are seeing at the moment could be short-lived.

Our outlook for equities continues to be positive. Even if central banks are to raise interest rates due to the economic upturn, pressure on markets shall be limited. We also believe inflation is short-term because of the lower base we had from the previous year.

Despite the market jitters, equity valuations of certain industries remain attractive due to some long-term structural trends. We believe investors should pay more attention to industries that are benefiting from mega themes such as Millennials and Changing Lifestyles, and Environment and Sustainability – all of which are already impacting our daily lives and presenting some interesting investment opportunities.

## Low e-commerce penetration rate reflects market growth potential

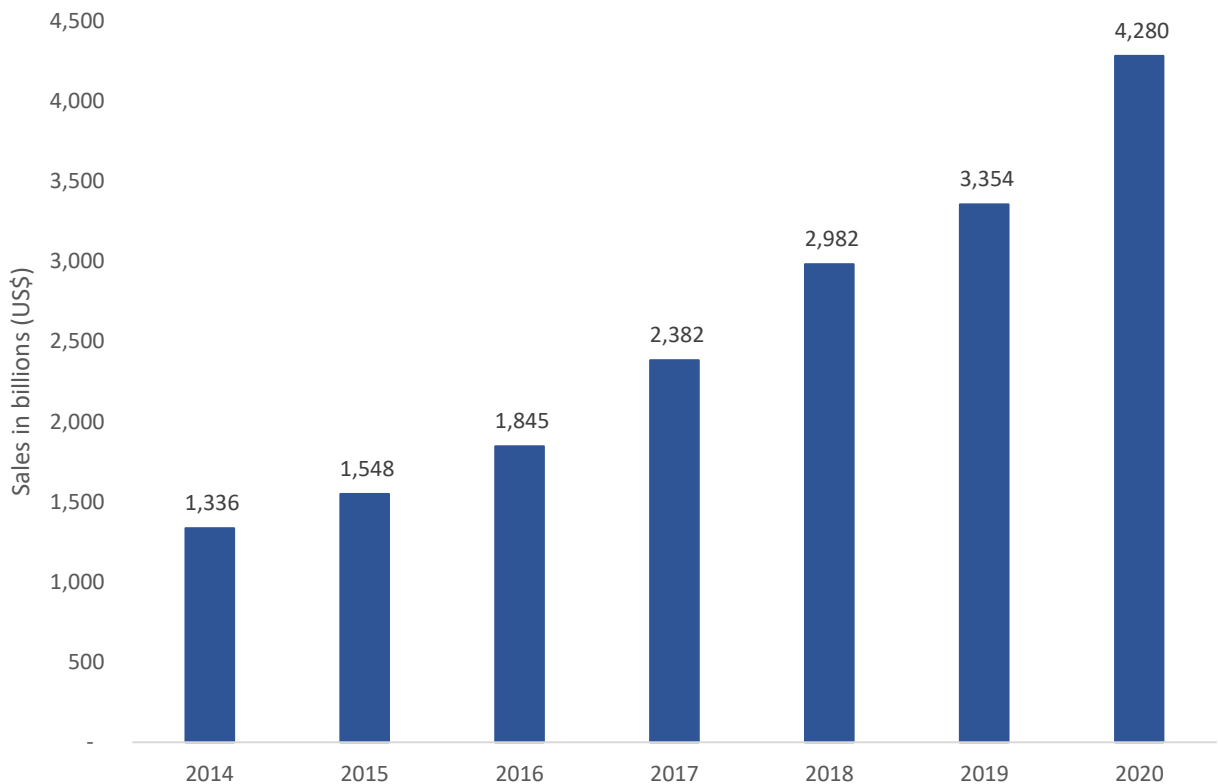
Online shopping is a prime example of the Millennials and Changing Lifestyles theme. The pandemic has accelerated the growth of the e-commerce industry as online shopping is now further integrated into our everyday activities.

E-commerce has brought in worldwide sales of \$4 trillion in 2020, and this is expected to grow to \$5 trillion in less than two years' time.

Despite the expansion of e-commerce witnessed last year, market penetration rate remains low, which means there is still much room for growth. Take online grocery shopping as an example, Japan and South Korea have relatively high penetration rates, but that still only account for 7% of the overall grocery sales. This not only reflects the growth potential of the market, but also reveals investment opportunities around this phenomenon.

From an investment perspective, online shopping is not just about purchasing goods with our smart devices. It extends to the backend of these e-commerce retailers from online payment systems, information technology, financial technology, financial infrastructure, through to automated warehouse management, logistics and transportation - all of which transcends industry boundaries and geographies.

### Retail e-commerce sales worldwide from 2014 to 2020



Source: Statista, 2021

## The future trend of low-carbon and sustainable developments

The other relevant investment theme is Environment and Sustainability. In recent years, governments around the world have placed stronger emphasis on environmental protection and sustainable development and have set various carbon reduction or zero-emission goals.

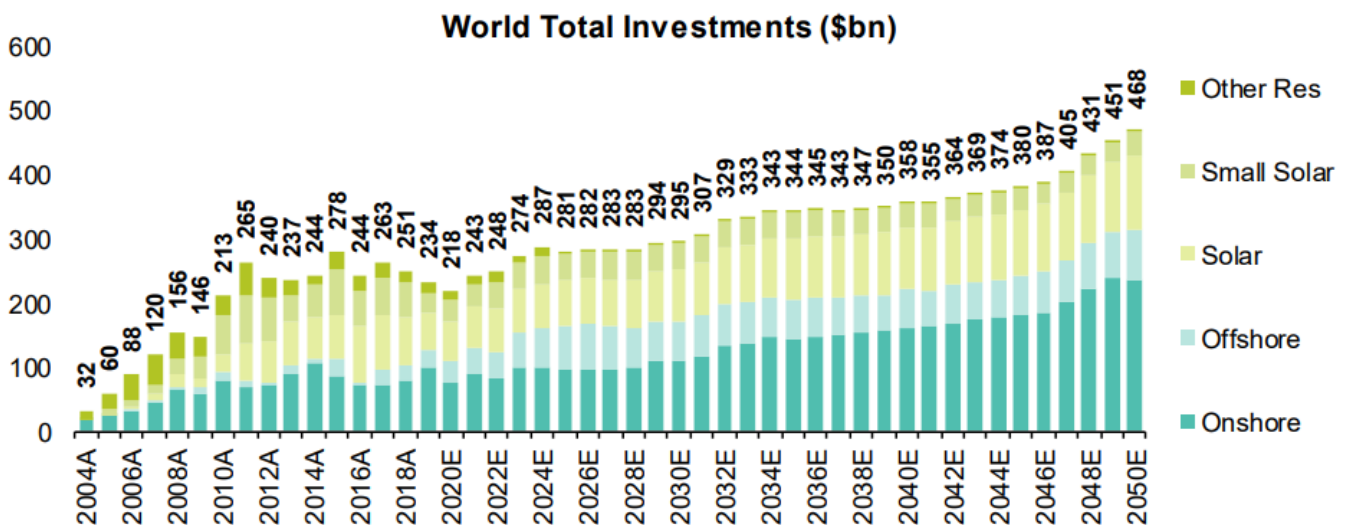
Renewable energy is certainly an area of attention, as it only accounts for less than 30% of today's overall energy mix, reflecting further room for growth. But that is not all.

When thinking about investment opportunities in renewable energy, we need to go beyond clean energy generation and look at the entire value chain. A wide range of industries can benefit from this energy transition story, for example, companies involved in building out the broader infrastructure (such as cables connecting offshore wind farms to energy grids), as well as companies that can transport or store renewable energy at the point of consumption.

Not to ignore is the electrification of energy. Renewables produce electricity, but electricity is only 20% of all the energy people consume today. To maximise the benefits of renewables, we need to increase the amount of electricity use to 50% by 2050. One of the best ways to get to a more electrified energy system is by using things like electric vehicles.

As with all investments, thematic investing involves investments in securities that could be impacted by cyclical factors. Taking a "multi-thematic" approach enables investors to tap into a broad set of opportunities, whilst managing the risks associated with investments in companies that have long-term growth potential.

### Global annual renewables (ex-hydro) investments could double by 2050E



Source: BNEF, Bernstein analysis and estimates



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