

The EQ Best Ideas Portfolios offer exposure to a range of investment themes which are areas of significant opportunity for our fund managers. Using examples of investments held by our selected funds we look to highlight these themes and share some of our managers' thinking with you, so you can better understand your portfolio. In this issue we take a look at the Millennial generation and some of the investment opportunities created as a result of its growing significance.

WHO ARE THE MILLENNIALS?

Broadly, Millennials are defined as those people born between the years 1980 and 2000.¹ They are one of the largest generations in history – in America they even overtook the Baby Boomers in 2015 to become the most populous generation living in the US today.²

There are a number of characteristics of Millennials that set them apart from previous generations. One of the most significant is they are digital natives, having grown up with technology. They have seen the internet grow from static pages, blossoming into an interactive and dynamic tool, giving us instant access to information and entertainment through smartphones carried at all times. They feel connected to people all over the world through social media and as a global community, have a strong sense of accountability to the world, its people and the environment.

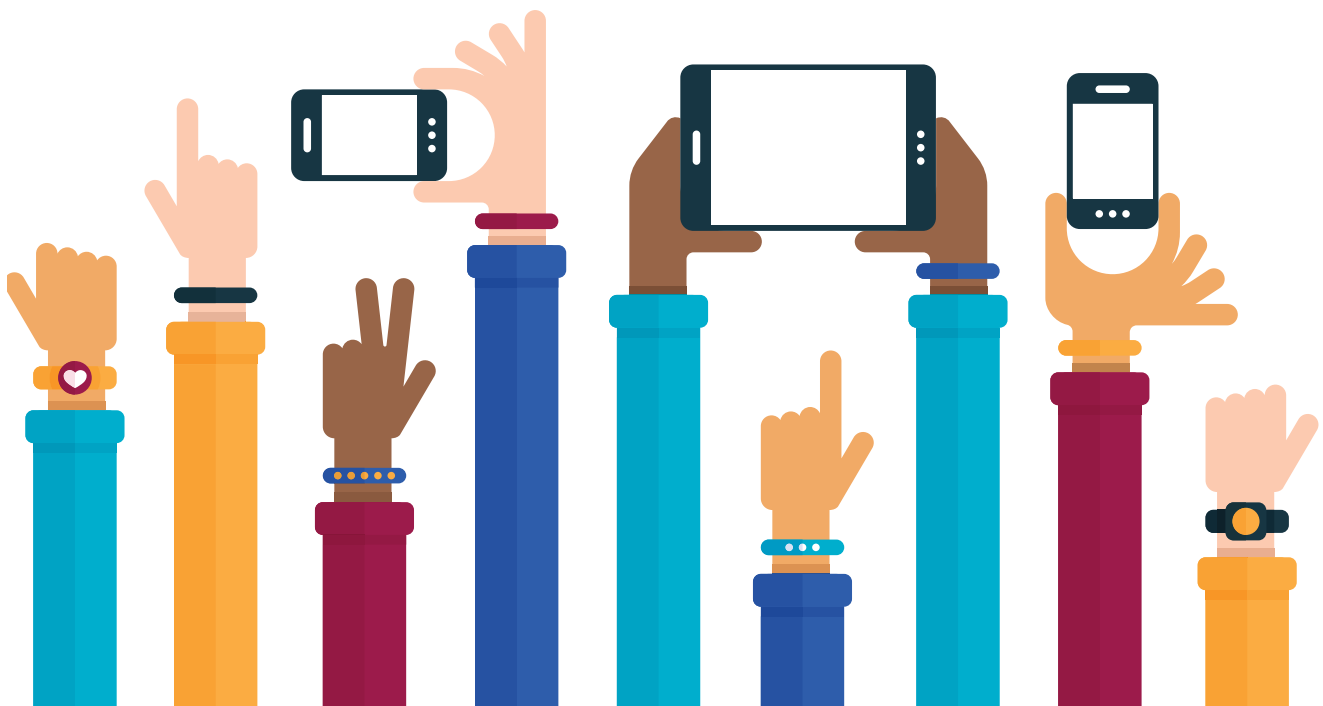
Millennials are the most sustainability-conscious generation where Credit Suisse reports that Millennials are willing to pay more for products and

services seen as sustainable or coming from socially and environmentally responsible companies.³ We will cover the Best Ideas Portfolio exposure to sustainability themes in a future update.

Millennials also have different goals when it comes to the world of work. 77% say flexible working hours would make the workplace more productive.⁴ They believe the success of a business should be measured in terms of more than just its financial performance, and they value companies that produce high quality and sustainable goods and services over those pursuing short-term profit maximisation.⁵ Questions about the nature of work has led 35% of US Millennials to start their own business on the side to supplement their income.⁶

1 DIGITAL PAYMENTS

As the Millennial generation establishes itself in the workforce, its degree of disposable income is naturally rising. As digital natives, it is then perhaps no surprise that digital payments are growing rapidly.



Online, mobile and contactless cards are expected to hit \$3.6 trillion in transactions globally this year, which is up 20% since 2015.⁷

Significantly, this growth is coming at the expense of cash payments in the US with other markets expected to follow. Forty seven percent of US consumers prefer digital payments while cash comes in at 45%.⁸



EXAMPLE HOLDING:

PayPal



PayPal is a leading technology platform company that enables digital and mobile payments on behalf of consumers and merchants worldwide. Their platform allows users to move their money anywhere in the world, anytime, on any platform and through any device.

In the company's latest earnings announcement, they reported covering over 1.9 billion transactions in the quarter, generating revenue of \$3.2 billion (estimated at \$12.9 billion per annum), while growing earnings per share (profitability) by 31%.⁹

FUND IN FOCUS:

Fundsmith Equity

Fundsmith

PayPal is an investment held by Fundsmith Equity. The fund is an actively managed, concentrated portfolio of growth companies anywhere in the world.

2 THE GIG ECONOMY

A recent report by McKinsey Global Institute¹⁰ found that as many as 162 million people in Europe and the US (20-30% of the working age population) engage in some form of independent work. While demographically diverse, Millennials are predicted to make up 75% of the global workforce by 2025. Given their preference for flexible work, the 'gig' economy – a labour market characterised by the prevalence of short-term contracts or freelance work, as opposed to permanent jobs¹¹ – is predicted to grow rapidly.

EXAMPLE HOLDING:

Intuit



Intuit provides a range of software solutions that tap into the gig economy. Its range covers the accounting and tax filing needs of the self-employed, small businesses and more professional series for accountants making it the world's premier online accounting software.

They have over 42 million customers in the US, Europe, Australia and Brazil, including 2.3 million online subscribers (an increase of 58% from a year earlier). The company grew its revenue to \$5.1 billion last year while growing earnings just under 20%.¹²

Today, just 15% of independent workers use a digital platform to find work, but that is changing rapidly. Uber is of course the best known for drivers but there is an increasing breadth of services that can be found with the likes of TaskRabbit (cleaners, handymen, gardeners and movers), skilled and highly skilled labour with Upwork and People-per-hour (data analytics, writers, web design, designers, photography, voice over artists, virtual assistants).

At the end of every gig economy job there is of course the matter of payment. And whether this is made through digital means or otherwise, the gig economy



presents a new set of legislative and technological challenges for governments to claim their share by way of taxes.

FUND IN FOCUS:

Rathbone Global Opportunities

Rathbones
Look forward

Intuit is an investment held by the Rathbone Global Opportunities Fund which runs a highly active stock picking process, in a concentrated portfolio of the most attractive growth opportunities across the developed markets.

3 GAMING

The world of computer games has evolved far beyond the early years of highly pixelated two dimensional characters through flight and racing simulators, classic shoot-em-ups and early games of battle strategy.¹³ With today's computing power, games are played online in immersive three dimensional fantasy worlds and create their own player communities that interact with one another during gameplay in 'massively multiplayer online role-playing games'.¹⁴ The most recent development has seen the fantasy world brought into the realm of the real with augmented reality games such as *Pokemon Go*.

Similar to more familiar social media platforms such as Facebook, online gaming platforms boast millions of active users who enjoy the high quality content, driving engagement and recurring revenues for the creators. Revenues are not only created through one-time costs of purchase of a game, but through monthly subscriptions, in-game purchases and most recently through targeted advertising which is native to the gameplay experience.

FUND IN FOCUS:

GAM Star Technology

GAM Advancing potential

Activision Blizzard is a holding in GAM Star Technology which runs an active stock selection process to build a portfolio focused on emerging growth themes within technology.



EXAMPLE HOLDING:

Activision Blizzard



Activision Blizzard is one of the 500 largest companies in America and one of the world's most successful standalone interactive entertainment companies. It has nearly 500 million active monthly users through over a dozen different games including *World of Warcraft*, *Call of Duty* and *Destiny*. Their games are played in 196 countries.

In 2016 the company generated \$6.6 billion in revenues (an increase of 42% from the prior year) while earnings per share grew at a record 68% from the prior year.¹⁵

NOTES, SOURCES AND LINKS:

1. Goldman Sachs: [Our Thinking – Millennials](#)
2. Pew Research: [Millennials overtake Baby Boomers as America's largest generation](#)
3. Credit Suisse: [Supertrends](#)
4. Bentley University: [The Millennial Mind Goes to Work](#)
5. Deloitte: [Millennial Survey 2016](#)
6. PWC: [Millennials at work – reshaping the workplace](#)
7. Capgemini: [Top 10 Trends in Payments - 2017](#)
8. Business Insider: [Digital payments have become the preferred payment method](#)
9. PayPal: [Third Quarter 2017 Results](#)
10. McKinsey Global Institute: [Independent work – Choice, necessity and the gig economy](#)
11. BBC News, 10 Feb 2017: [What is the 'gig' economy?](#)
12. Intuit SEC Filing: [Form 10-K](#)
13. PC Mag: [Infographic – A Massive History of Multiplayer Online Gaming](#)
14. Wikipedia: [Online Game](#)
15. Activision Blizzard: [2016 Annual Report](#)

Next steps

You can view factsheets and invest online via the EQ website. For other questions and enquiries please contact your EQ adviser or visit:



eqinvestors.co.uk

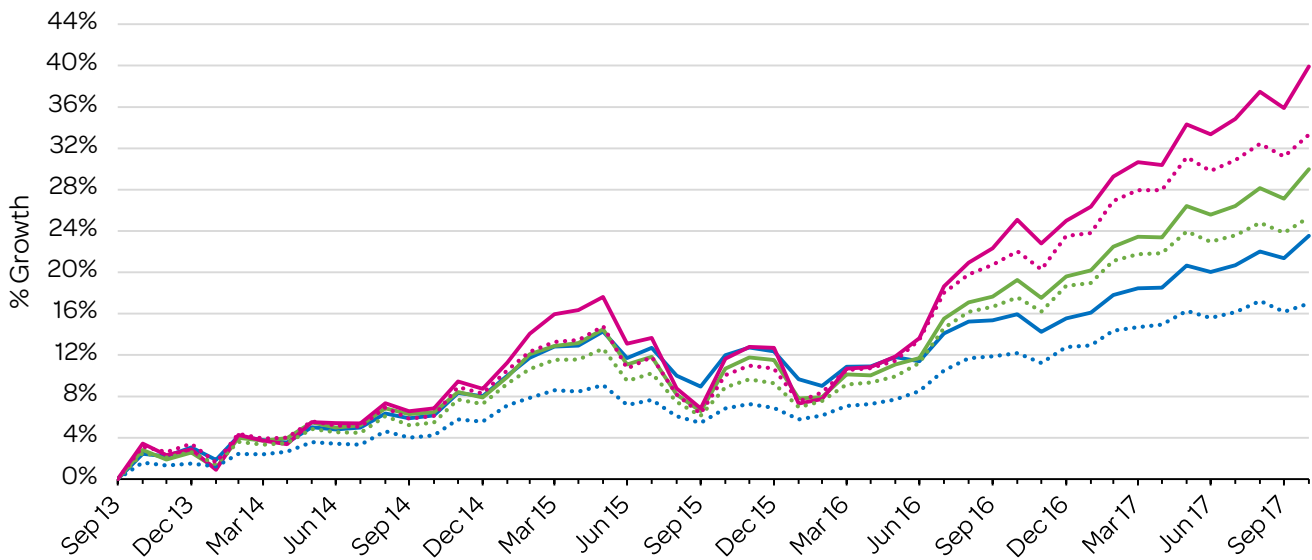


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Cumulative performance since inception 30/09/2013 to 31/10/2017



Annual performance		Nov 16 - Oct 17	Nov 15 - Oct 16	Nov 14 - Oct 15	Nov 13 - Oct 14
Best Ideas Cautious	—	6.56%	3.55%	5.47%	3.61%
ARC Cautious *	.....	4.28%	5.02%	2.49%	2.62%
Best Ideas Balanced	—	9.00%	7.75%	3.96%	3.55%
ARC Balanced *	.....	6.58%	8.01%	3.22%	2.86%
Best Ideas Adventurous	—	11.86%	12.03%	4.52%	3.29%
ARC Steady Growth *	.....	9.24%	10.87%	3.72%	2.89%

Risk warning
Past performance is not a guide to future performance. The value of investments and the income derived from them may go down as well as up and investors may get back less than they originally invested. The Best Ideas Portfolios are available in seven different risk profiles, of which **three** are shown here. Inception dates may vary: please see factsheets for full details.