



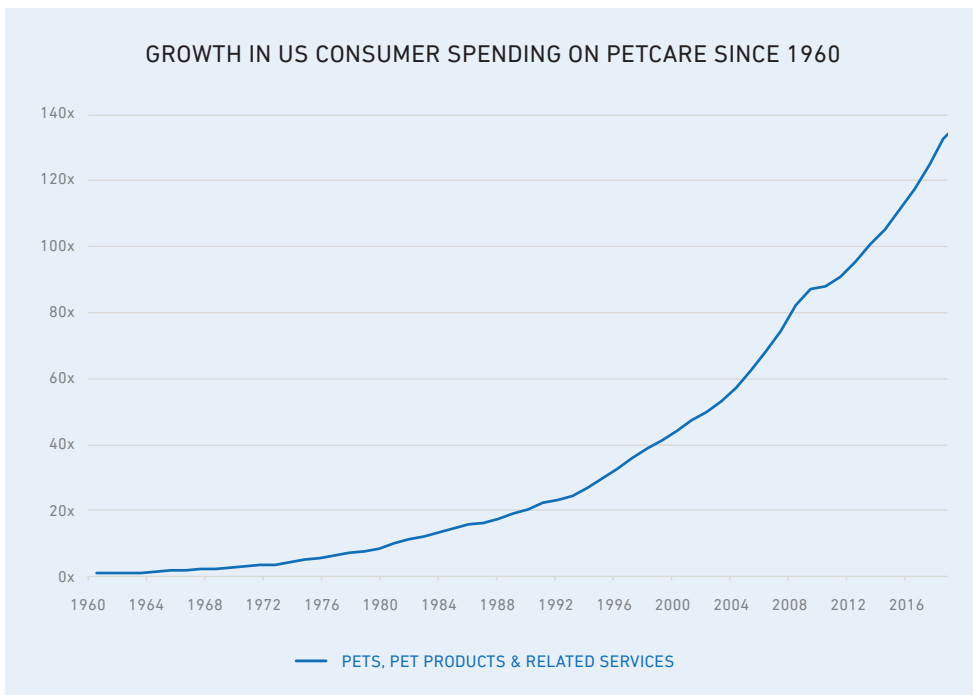
AN INTRODUCTION TO THE PETCARE INDUSTRY

THE PETCARE INDUSTRY OFFERS ATTRACTIVE LONG-TERM FUNDAMENTALS

The pet care industry continues to experience secular growth both in scale and the revenue it generates per pet. The former is driven not only by a growing population but also the higher rates of pet ownership amongst younger generations. The latter is a symptom of the increasing secular shift to “pet humanisation,” the phenomena of considering pets, and their dietary, medical, and other needs, as on par in importance with the human members of a family.

As per capita wealth increases across the developed world, people’s attitude to domestic animals changes. Nestlé’s head of pet-food operations in Latin America, Carlos Romano, recently commented that the animal instinct kicks in when household incomes exceed \$5,000 a year¹. Pets are moving from sleeping in the backyard and eating scraps from the table to having heated beds and specifically made nutritious pet food. According to a 2015 Harris poll, nearly all American pet owners (95%, up 4% from 2012 and 7% since the question was first asked in 2007) consider their pets to be members of the family².

The developing world is spending more on pets than ever before. The American Pet Products Association estimates expenditure on pet food, products, and services has been growing at a compound annual growth rate (CAGR) of +6% since 1998³. Notably growth was uninterrupted during the Global Financial Crisis (GFC), reflecting the increasing priority pets have within households. Americans will spend ~\$75billion on petcare in 2019, representing a +4% increase from 2018. As the chart below details, since 1960 consumer spending on pets in the USA has grown at a notably high rate.



PET NUMBERS ACROSS THE USA & EU



169 MILLION HOUSEHOLDS WITH A PET



155 MILLION DOGS



170 MILLION CATS



56 MILLION BIRDS



150 MILLION FISH



16 MILLION REPTILES

¹The Economist, *Pet-ownership is booming across the world*, accessed here: www.economist.com/international/2019/06/22/pet-ownership-is-booming-across-the-world

²The Harris Poll, *More than ever, Pets are Members of the Family*, available here: www.theharrispoll.com/whether-furry-feathered-or-flippers-a-flapping-americans-continue-to-display-close-relationships-with-their-pets-2015-is-expected-to-continue-the-pet-industry-more-than-two-decades-strong/

³American Pet Products Association market research is available here: www.americanpetproducts.org/press-industrytrends.asp



MORNINGSTAR INTERNATIONAL EQUITIES CATEGORY FUND MANAGER OF THE YEAR 2017, NEW ZEALAND



NOMINEE - MORNINGSTAR INTERNATIONAL EQUITIES CATEGORY FUND MANAGER OF THE YEAR 2012, NEW ZEALAND



NOMINEE - FUNDSOURCE INTERNATIONAL EQUITY SECTOR FUND MANAGER OF THE YEAR 2012, NEW ZEALAND



NOMINEE - FUNDSOURCE INTERNATIONAL EQUITY SECTOR FUND MANAGER OF THE YEAR 2013, NEW ZEALAND



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Increasing expenditure on pets is not solely driven by the secular shift referred to as “pet humanisation.” The number of pets per capita in developed nations is also growing. More than three in five Americans (62%) have at least one pet in their household, with ownership highest among the two youngest generations (65% among Millennials, 71% among GenX.⁴ Euromonitor expects the number of pet cats worldwide to grow by +22% between 2018 and 2024, and the number of pet dogs worldwide by +18%.⁵

ELEVATION CAPITAL GLOBAL SHARES FUND PETCARE INVESTMENTS

We believe that the combination of the secular shift toward “pet humanisation” and favourable market structure makes the pet care industry fertile ground for long-term investment opportunities. Currently, the Elevation Capital Global Shares Fund has investment exposure, totalling 12.67% of the portfolio, to the petcare industry in the following companies / sub-categories:



VETERINARY &
DIAGNOSTIC CARE



PET FOOD



PET THERAPEUTICS
& VACCINES



INSURANCE

covetrus

Nestlé
Good Food, Good Life

Elanco

trupanion™

zooplus

COLGATE-PALMOLIVE

NESTLÉ PETCARE PORTFOLIO

PURINA
PRO PLAN

PURINA
ONE

PURINA
GOURMET

Merrick

Nestlé PURINA.

Tails.com

COLGATE PETCARE PORTFOLIO

Hills

⁴The Harris Poll, *More than ever, Pets are Members of the Family*, available here: www.theharrispoll.com/whether-furry-feathered-or-flippers-a-flapping-americans-continue-to-display-close-relationships-with-their-pets-2015-is-expected-to-continue-the-pet-industrys-more-than-two-decades-strong/

⁵Euromonitor International market research on the Petcare Industry is available here: www.euromonitor.com/pet-care

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INDEPENDENT THINKING DISCIPLINED INVESTING

[In-de-pend-ent Think-ing] **ində'pendənt THiNkiNG** *verb*

Is essential to long-term investment success. We are often contrarian and do not pay attention to index compositions when making investment decisions. We believe that when you're several thousand miles away from Wall Street in a different nation, it's easier to be independent and buy the things that other people are selling, and sell the things that other people are buying.

[Dis-ci-plined In-vest-ing] **disciplinəd inves'ting** *verb*

The market presents opportunities every day, but disciplined investing is as much about the opportunities you do not take. We also believe that cash is sometimes the most attractive investment.