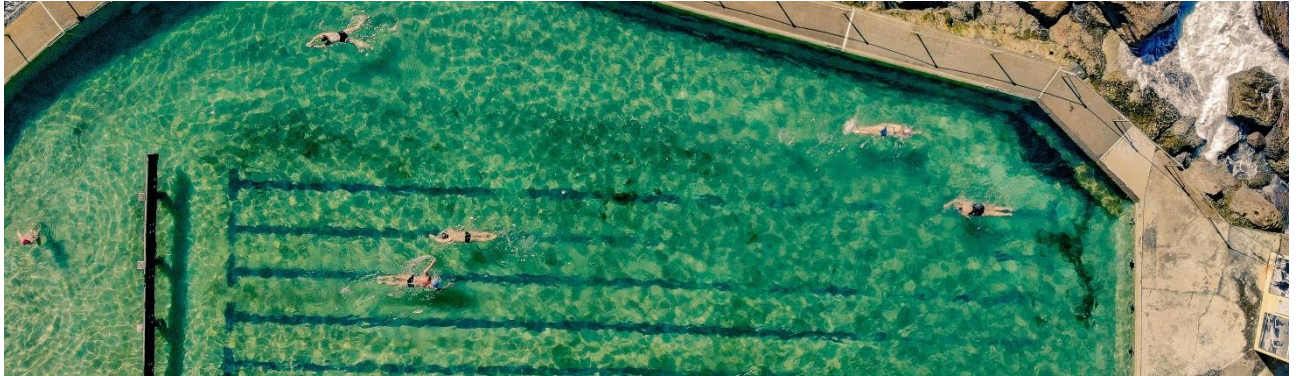


Investment Idea

Vontobel Wellness & Health Index



Summary

- During the COVID pandemic, wellness and mental health became a priority for individuals and businesses alike. More than two-thirds (69%) of consumers surveyed by American Express indicate that their mental health has been impacted by the pandemic – either by isolation restrictions or concerns for well-being.
- According to a survey conducted by McKinsey among 7500 consumers, 79% of the respondents said they believe that wellness is important, and 42% consider it a top spending priority.
- McKinsey estimates the global wellness market at more than 1.5 trillion USD, with annual growth of 5-10%.
- The Wellness & Health Index gives us a unique exposure to companies in five key areas: 1) fitness & sports, 2) nutrition, 3) sleep technology & mental health, 4) beauty, and 5) travel & entertainment.
- The indicative Index composition comprises a total of 36 stocks and is actively managed.

The COVID pandemic has acted as a catalyst in many sectors, from the rise in e-commerce and online payments to the digitalization of work and our daily lives. Routines were disrupted and people needed to quickly find new ways of being physically active. The lockdowns and the lack of social interactions have certainly taken a considerable toll on mental health.

The pandemic has also brought considerable attention to the topics of ageing and obesity. It is worth mentioning a few statistics to set the tone. According to the Obesity Evidence Hub, 39% of adults aged over 18 years were overweight in 2016, and 13% were obese. Worldwide obesity has nearly tripled since 1975. In addition, roughly 10% of the world population

live with a mental health disorder. An important contributor to overall well-being is sleep, and figures show that around 35% of people do not feel that they get enough sleep, which is impacting both their physical and mental health.

Needless to say, that those observations have become more evident during the pandemic, and an increasing number of people have started becoming proactive in tackling both physical and mental wellbeing. Companies worldwide recognize the importance of a healthy workforce and support mental health at work via various initiatives. We defined five key areas that should see a long-term tailwind:

Fitness & Sports:

The way people have maintained physical health has been significantly impacted by the pandemic. Restrictions to access gyms have incentivized people to set up their own home gyms and to increase outdoor activities. Surveys conducted by McKinsey show that monthly spending on connected fitness equipment and paid apps have risen by 5% and 10% respectively since the outbreak. Another trend that we expect to accelerate after the pandemic is the rise in boutique gyms. The latter are more focused on the experience and generally offer workouts in smaller groups and for a specific fitness niche like Barre, HIIT or Pilates.

Nutrition:

Although consumers' focus on healthy diets has started a few years ago, the pandemic has certainly increased the attention to the topics of prevention and immunity. According to surveys from McKinsey, 53% of consumers have changed what they eat and drink for the better since the start of the pandemic, and 60% of consumers have sought out food and beverage products that support immune health. It has become widespread knowledge that a healthy diet supports not only physical health but mental health as well. We expect the nutrition trend to gain further footprint and become more personalized to the consumer. We see the following categories benefiting:

organic fruits and vegetables, alternative proteins, weight management solutions and healthy restaurant chains, but also some more emerging ones such as nutraceuticals and nootropics.

Sleep Technology & Mental Health:

Sleep used to be neglected and perceived as a waste of time in modern busy lifestyles. The trend has however started to change over the last 5 years with increasing scientific research and media coverage on the importance of sleep for health and longevity. It has led to multiple hardware and software solutions rapidly mushrooming in the market. These sleep technology products allow to assess, monitor and treat different sorts of sleep disorders and the quality of sleep in general. From innovative devices to treat obstructive sleep apnea to wearables, including smart mattresses and pillows as well as smart lighting. The solutions are not lacking for the tech-savvy and health focused consumer.

On the mental health side, companies offering solutions such as online therapy, mental health apps or alternatives to medications for mental health have gained in popularity.

Beauty:

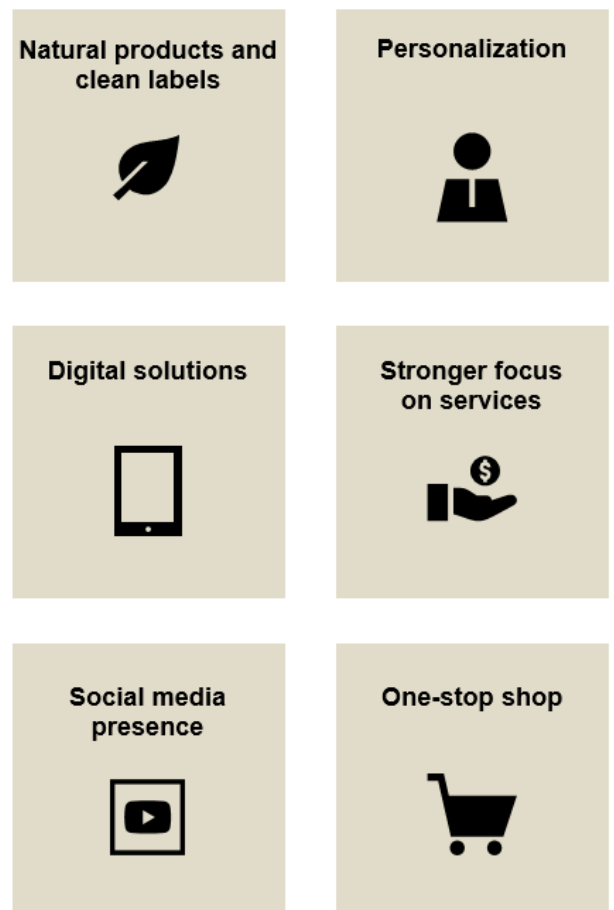
Mental health is also achieved with self-confidence, and with the rise of social media, millennials have put emphasis on feeling good in their skin and achieving a healthy look with the help of beauty products. What they require from beauty brands has however slightly changed. Personalization, which has been highlighted as an important topic in the above-mentioned subthemes, is gaining ground in the beauty sector too. According to a Forrester study, 77% of consumers have chosen, recommended, or paid more for a brand that provides personalized service or experience. Brands are emerging with focus on inclusion, and solutions for all skin tones and ethnicities. The younger generations have also shown a strong interest in natural ingredients and cruelty-free brands with 80% of female teens saying that they are willing to spend more for “clean” beauty.

Travel & Entertainment:

The travel and entertainment sectors have been among the most impacted by the pandemic. With restrictions to travel, some countries closing their borders to tourists and large events being cancelled or postponed, 83% of consumers surveyed by American Express agree that travel is one of the top activities they missed the most. 88% of consumers agree that travel helps improve their mental health and 68% are likely to base their next vacation around improving their mental well-being. Hotel companies appease this demand by offering wellness amenities. Travel-related sectors could rebound strongly especially hospitality, theme parks, and leisure equipment (RVs, boats, etc.).

Overall, we summarize the consumers' priorities as the following. Consumers give high importance to products and services that are highly personalized to their own physical characteristics and beliefs. Younger generations tend to put more emphasis on products that are as natural as possible and on brands' social media presence. Until now, wellness spending has been more directed to products than services (products represent 70% of total wellness spending), however, we see a stronger focus on services going forward. Digital solutions are also highly appreciated, especially within fitness and sports, but more so even are companies offering both online and of-line services, hence flexibility to the consumer. Consumers have also shown interest in the one-stop shop business model (i.e. companies offering multiple complementary products and services), for instance with the athletic clothing brands offering also online fitness services or digital home gyms, like the example of the Lululemon's acquisition of Mirror.

Figure 1: Six consumer wellness-related trends according to McKinsey



We expect companies active in the abovementioned subthemes to benefit from the trend towards increased consumer spending in wellness and health.

Indicative Index Composition (as of 31.08.2022)

Companies	ISIN	Ccy	Weight
Fitness & Sports			
APPLE	US0378331005	USD	3.5%
CALLAWAY GOLF	US1311931042	USD	2.5%
DECKERS OUTDOOR	US2435371073	USD	3.0%
F45 TRAINING	US30322L1017	USD	1.5%
GARMIN	CH0114405324	USD	3.0%
LULULEMON ATHLETICA	US5500211090	USD	3.5%
NIKE INC	US6541061031	USD	3.5%
PLANET FITNESS	US72703H1014	USD	3.0%
PUMA	DE0006969603	EUR	3.0%
THULE GROUP	SE0006422390	SEK	2.5%
XPONENTIAL FITNESS	US98422X1019	USD	1.5%
Nutrition			
BELLRING BRANDS	US07831C1036	USD	2.5%
CELSIUS	US15118V2079	USD	2.0%
MEDIFAST	US58470H1014	USD	2.0%
MOWI	NO0003054108	NOK	2.5%
NESTLE	CH0038863350	CHF	3.5%
NOMAD FOODS	VGG6564A1057	USD	2.5%
SleepTech & Mental Health			
INSPIRE MEDICAL SYSTEMS	US4577301090	USD	2.0%
RESMED	US7611521078	USD	3.0%
Beauty			
BEAUTY HEALTH	US88331L1089	USD	2.0%
BEIERSDORF	DE0005200000	EUR	3.0%
COTY	US2220702037	USD	2.5%
ESTEE LAUDER	US5184391044	USD	3.5%
L'OCCITANE	LU0501835309	HKD	2.0%
L'OREAL	FR0000120321	EUR	3.0%
OLAPLEX	US6793691089	USD	2.0%
PROCTER & GAMBLE	US7427181091	USD	3.5%
ULTA BEAUTY	US90384S3031	USD	3.0%
Travel & Entertainment			
AIRBNB	US0090661010	USD	3.5%
BRUNSWICK	US1170431092	USD	2.5%
EXPEDIA	US30212P3038	USD	3.0%
GOPRO	US38268T1034	USD	2.0%
HILTON WORLDWIDE	US43300A2033	USD	3.0%
INTERCONTINENTAL HOTELS	GB00BHJYC057	GBP	3.0%
MARRIOTT INTERNATIONAL	US5719032022	USD	3.0%
MARRIOTT VACATIONS WORLD	US57164Y1073	USD	2.0%
UBER TECHNOLOGIES	US90353T1007	USD	3.0%

The composition may be subject to changes by the time of the fixing of the Index.

Table 1: Sources

Report name	Authors	Year	URL
Global spending on health: Weathering the storm	WHO	2020	https://www.who.int/publications/i/item/9789240017788
United Nations - Global Issues: Ageing	UN	2019	https://www.un.org/en/global-issues/ageing
WHO - Obesity and overweight	WHO	2021	https://www.who.int/news-room/fact-sheets/detail/obesity-and-overweight
Our World in Data - Mental Health	Saloni Dattani, Hannah Ritchie and Max Roser	2021	https://ourworldindata.org/mental-health
2021 World Sleep Day - Talking Points	World Sleep Day	2021	https://worldsleepday.org/usetoolkit/talking-points
Feeling good: The future of the \$1.5 trillion wellness market	McKinsey	2021	https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/feeling-good-the-future-of-the-1-5-trillion-wellness-market
Immune health concerns here to stay	Innova Market Insights	2021	https://www.innovamarketinsights.com/press-release/immune-health-concerns-here-to-stay/
Health & Wellness Trends for 2021	Kadence International	2021	https://kadence.com/wp-content/uploads/2021/05
Don't sleep on this \$500 billion business	Swissquote	2021	https://en.swissquote.com/sites/default/files/2021-09/sq_4_epaper_en.pdf
More than 50 million households interested in buying a sleep tech tracking product.	Park Associates	2018	https://www.parksassociates.com/blog/article/pr-07232018
14 Trends Changing The Face of The Beauty Industry in 2021	CB Insights	2021	https://www.cbinsights.com/reports/CB-Insights_Beauty-Trends-2021.pdf
Amex Trendex: Consumers Prioritizing Wellness and Mental Health with their Time, Money and Travel Plans	American Express	2021	https://about.americanexpress.com/newsroom/press-releases/news-details/2021
Fitness Industry Statistics 2022	Wellness Creative Co	2022	https://www.wellnesscreatives.com/fitness-industry-statistics-growth/
Health and Fitness Club Market Size and Forecast	Verified Market Research	2021	https://www.verifiedmarketresearch.com/product/health-and-fitness-club-market/
Online/Virtual Fitness Market	Allied Market Research	2020	https://www.alliedmarketresearch.com/virtual-online-fitness-market
Sweating for the fitness consumer	McKinsey	2021	https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/sweating-for-the-fitness-consumer
Food Wellness in Europe	IRI International	2018	https://www.nutfruit.org/industry/publications/inc-magazine/articles/detail/healthy-eating-trends-in-europe
Health and Wellness Foods - Global Market Trajectory & Analytics	Research and Markets	2021	https://www.business-wire.com/news/home/20210121005382/en
Nutraceuticals - Global Market Trajectory & Analytics	Research and Markets	2021	https://www.prnewswire.com/news-releases
Global Beauty and Personal Care Market	Research and Markets	2021	https://www.business-wire.com/news/home/20210622005830/en
Clean Beauty Market Size	Brandessence Market Research	2022	https://brandessenceresearch.com/consumer-goods/clean-beauty-market-size
Leisure Travel Market	Astute Analytica	2022	https://www.astuteanalytica.com/industry-report/leisure-travel-market
Wellness Tourism Market Size	Precedence Research	2021	https://www.globenewswire.com/news-release

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Bank Vontobel AG
Gotthardstrasse 43
CH-8022 Zurich