



## **TEXPERS Conference**

222 Berkeley Street | Boston, MA 02116 | 617.236.8900 | [www.gwkinvest.com](http://www.gwkinvest.com)



The guiding principles on which our firm was founded still define our investment approach today. They are the foundation for all of our investment strategies and have contributed to our long-term investment success and lasting client relationships.

Clients First

Clear Objectives

Disciplined Investment Process

Active Management

Meticulous Research

Focus on Quality

Invest for the Long Term

WORKING TOGETHER WORKS BEST

---

THAT'S OUR PHILOSOPHY

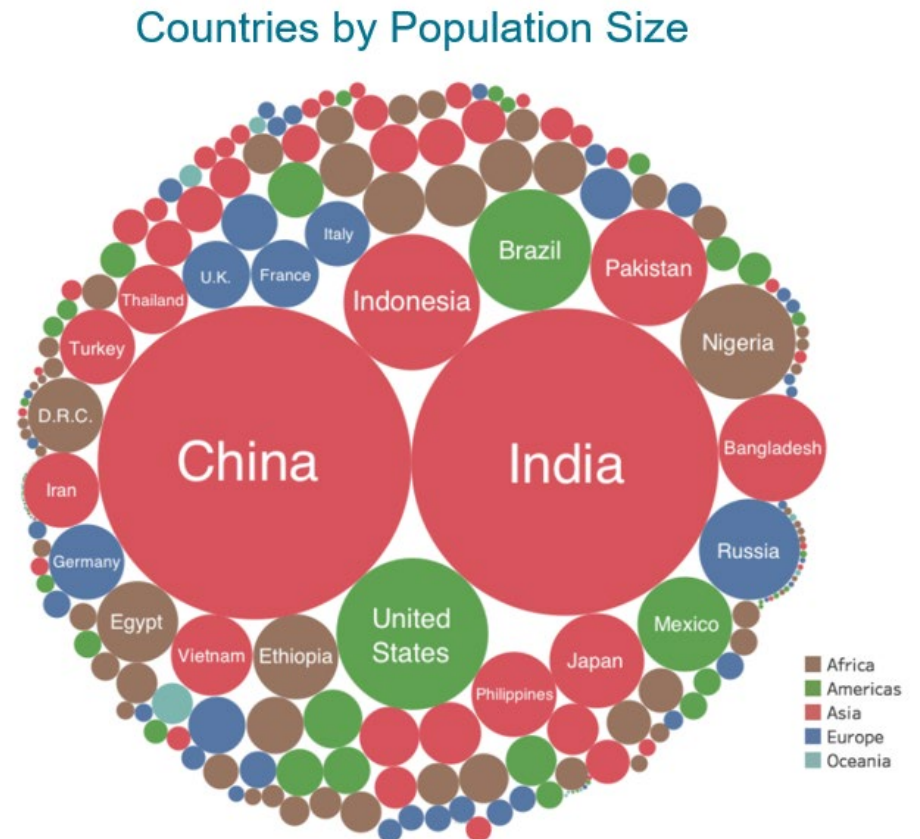
---

THAT'S OUR PRACTICE

# The Future of Global Consumption

GW&K Emerging Wealth Equity Strategy

- The U.S. represents 4% of the world's population.
- China and India represent 36%.
- What does that mean for global consumption?



Source: [Visual Capitalist](#)

## China and India at the Inflection Point

GW&K Emerging Wealth Equity Strategy

---

- Global middle class consumption growth is being driven by China – India to follow
- India and China on track to exceed the U.S. GDP by 2025
- Strong economic growth expected for both countries over the next three years
- China's middle class population is expected to expand materially between 2020 and 2030
- High-end households in China are steadily growing; 17.8% for the past ten years through 2019
- The trends we are currently seeing in China will be apparent in India over the next five to ten years
- Service sector development has considerable upside
- Both local and multinational companies will benefit

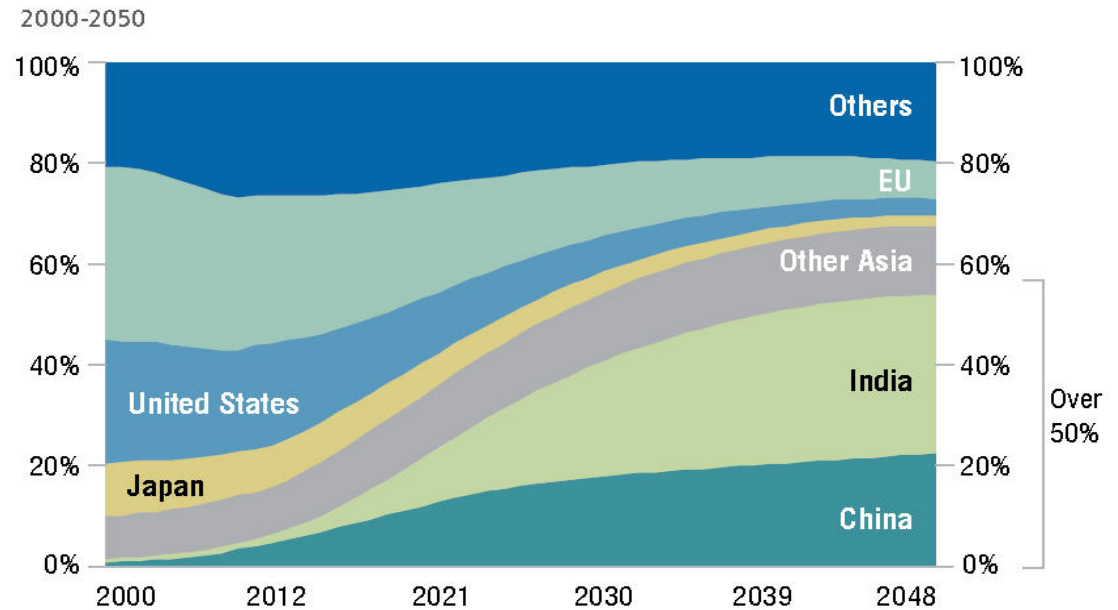
# Asia on Track to Dominate Global Consumption

GW&K Emerging Wealth Equity Strategy

## ■ We believe:

- Emerging market economies will experience faster GDP growth than developed markets.
- Emerging market growth is shifting to consumption as per capita incomes rise.
- This long-term global growth trend presents opportunities for companies that can best serve these consumers and offer products and services with good value.

## EM MIDDLE CLASS CONSUMPTION TO EXCEED 50% OF WORLD CONSUMPTION BY 2050



Source: OECD Development Centre, Working Paper No. 285, "The Emerging Middle Class in Developing Countries," Homi Kharas.

- This is arguably the **most powerful secular investment trend** in the world. We seek to benefit from this trend by owning **best in class businesses**, anywhere in the world, that have **material exposure to the growth of the middle class in emerging markets**.

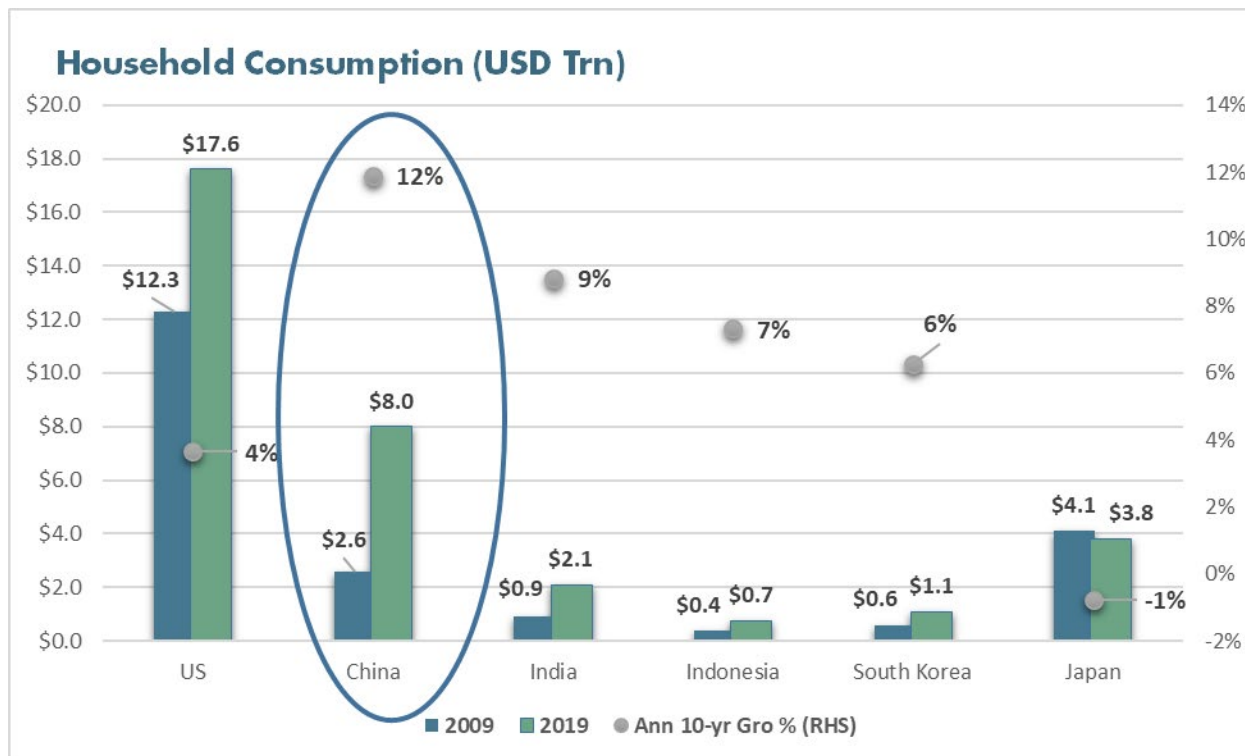
# China and India Shifting to Consumption

GW&amp;K Emerging Wealth Equity Strategy

## ■ Evidence that China and India's population are shifting to consumption

- China and India consumption is expected to equal that of the U.S. by 2030
- Over the past ten years, China consumption has grown at 12% CAGR. 10-year expected growth is 8% annualized
- Over the past ten years, India consumption has grown at 9% CAGR 10-year expected growth 9% or more annualized
- This compares with U.S. growth of 3.6% over the last ten years

	Population (M)	Household Consumption (Trn)	GDP per capita 2021 E
China	1,398	\$6.5	\$11,819
India	1,366	\$1.9	\$2,191
Indonesia	271	\$0.7	\$4,256
South Korea	52	\$0.9	\$34,866
U.S.	328	\$16.1	\$68,309
Japan	126	\$3.7	\$42,928



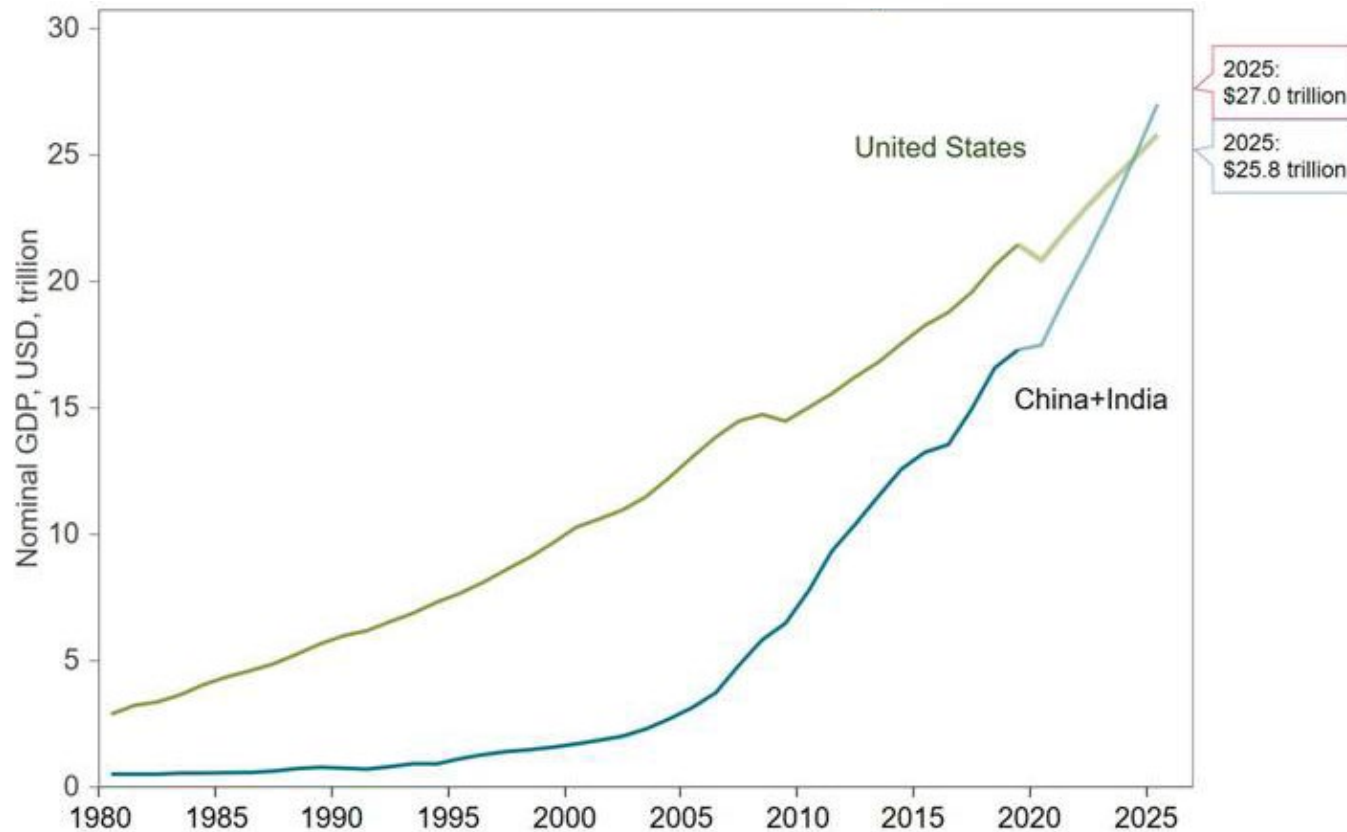
Source: World Bank, CEIC

# China and India Narrowing the Gap with the U.S.

GW&amp;K Emerging Wealth Equity Strategy

- The IMF projects China+India will **exceed U.S. GDP by 2025**. As recently as 2009, China was 1/3<sup>rd</sup> the size of the U.S.

## Catching Up: IMF Projects China+India GDP to reach \$27.0tn by 2025, Compared to \$25.8tn for U.S.



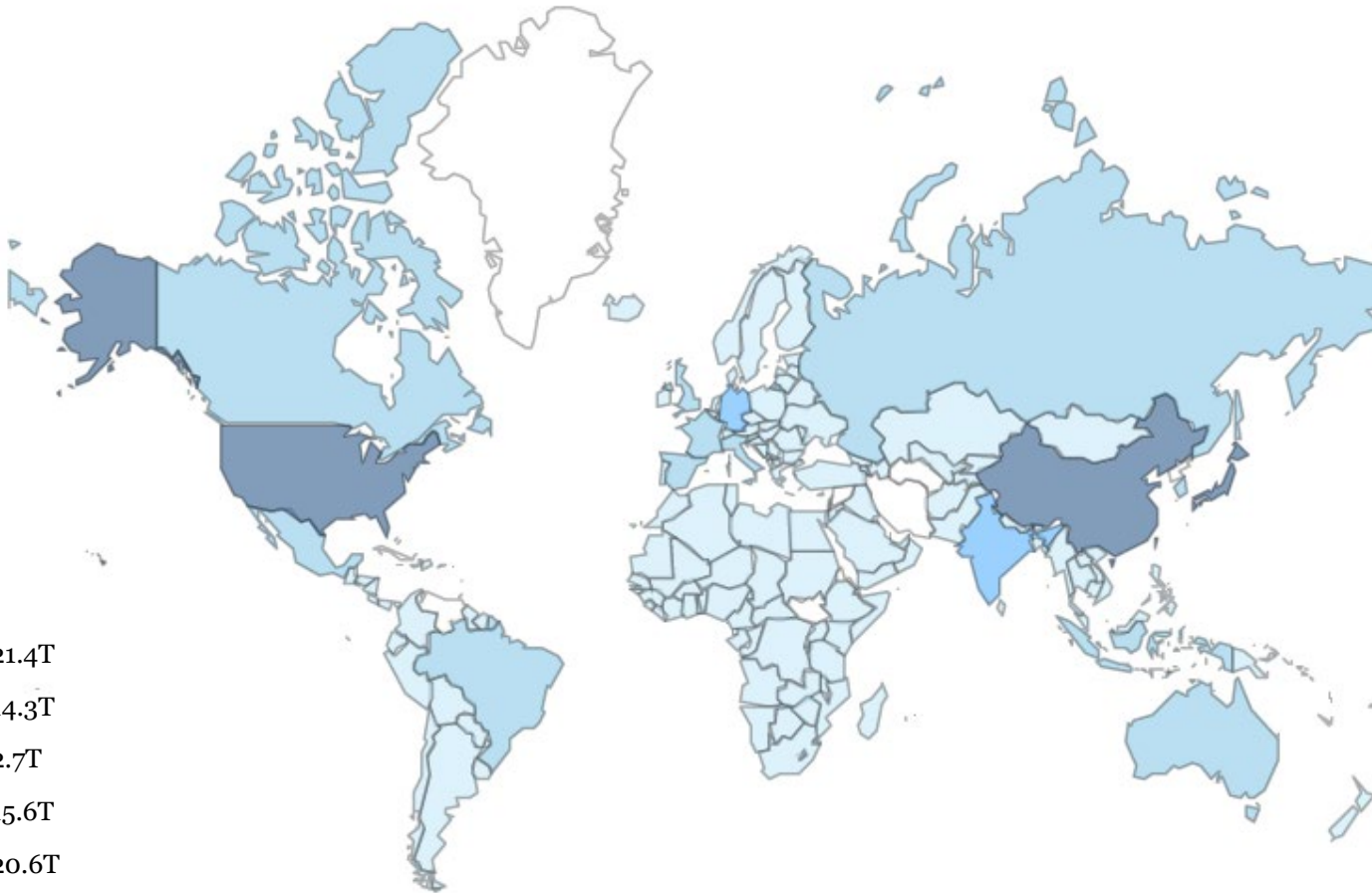
# China and India Narrowing the Gap with the U.S.

GW&K Emerging Wealth Equity Strategy

## Global GDP (\$) *As of 2019*

### GDP as of 2019

U.S.	\$21.4T
China	\$14.3T
India	\$2.7T
European Union	\$15.6T
Emerging Asia	\$20.6T

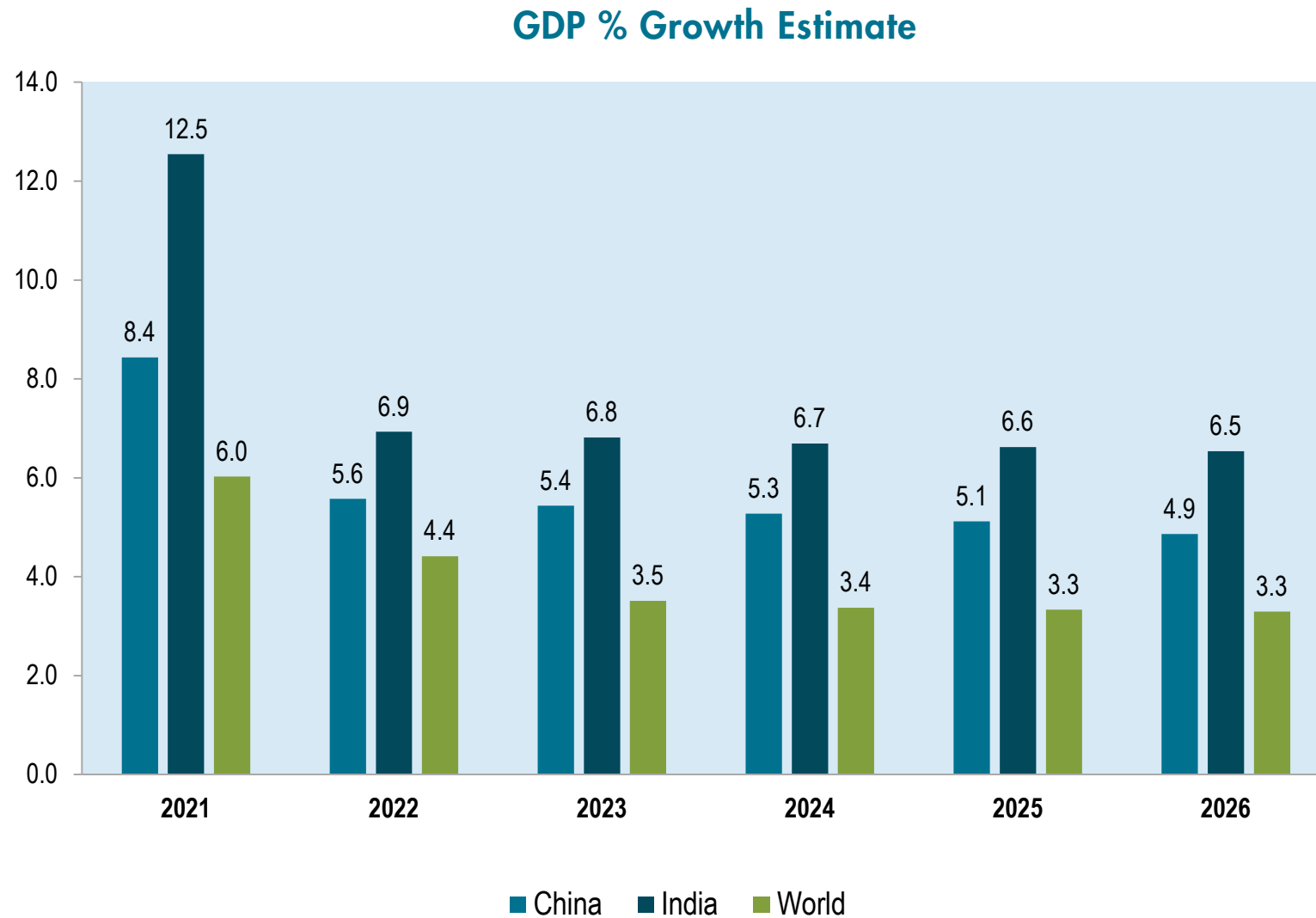




## China and India – Growth Expectations

GW&amp;K Emerging Wealth Equity Strategy

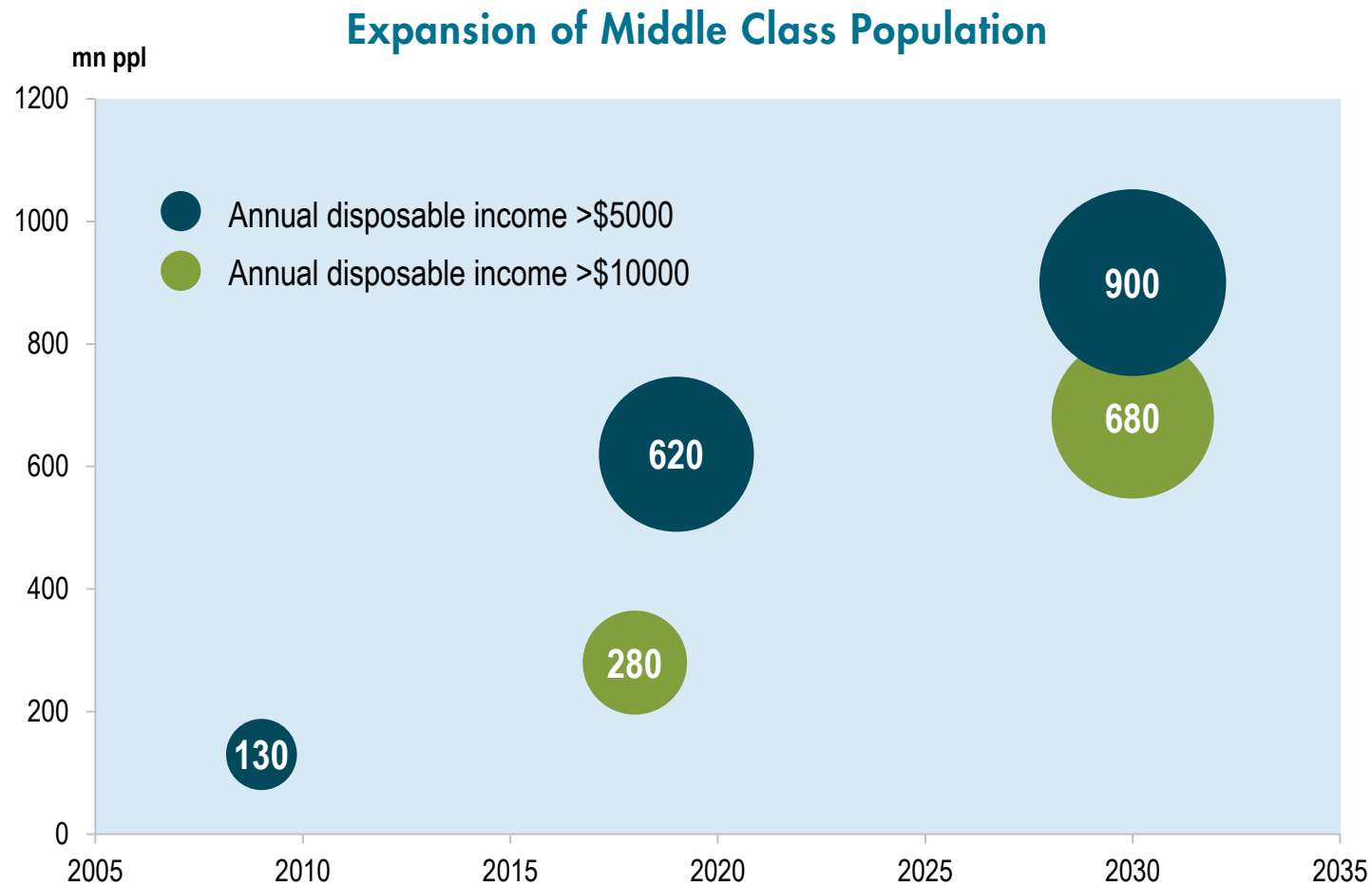
- GDP expansion expected to consistently outpace the world.



## Growth in Disposable Income

GW&amp;K Emerging Wealth Equity Strategy

- **Disposable income is set to explode**, driven by expansion of the >\$10,000 per capital income category.



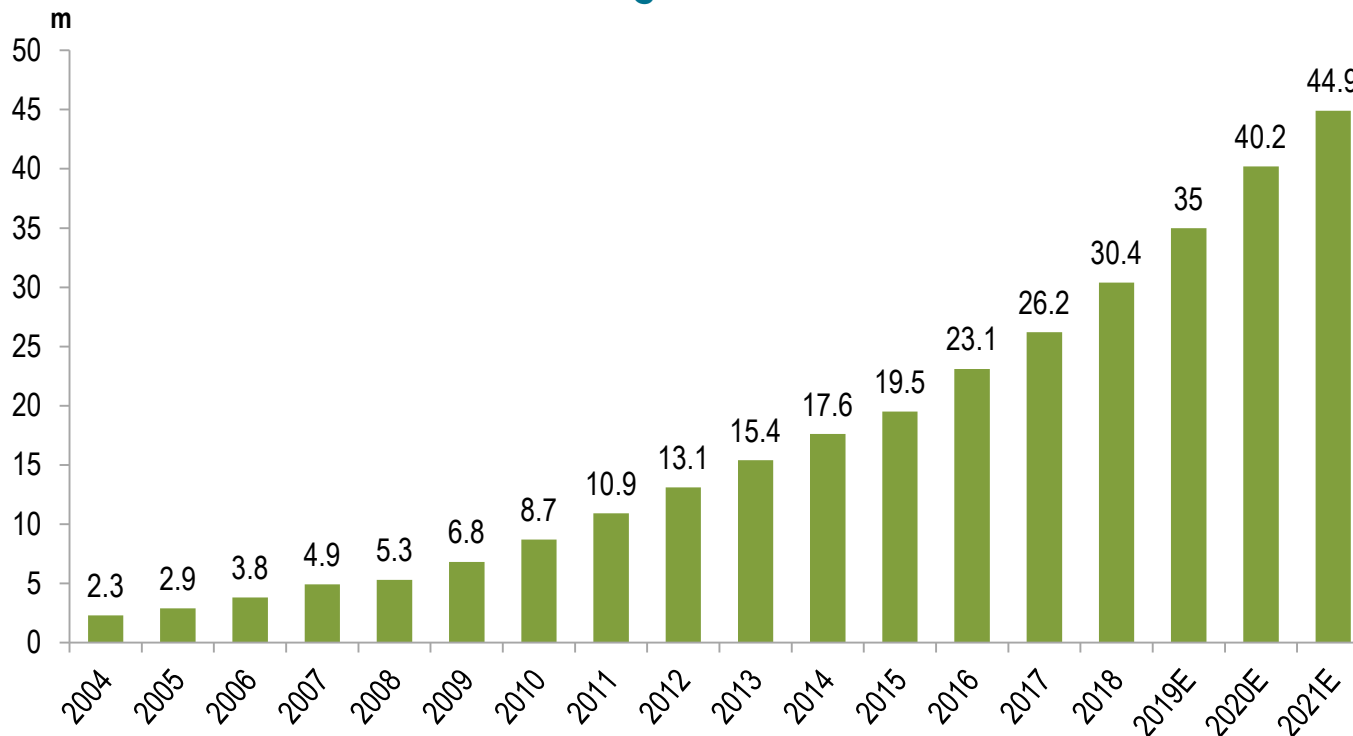
# China's High-end Household Growth

GW&K Emerging Wealth Equity Strategy

- A 17.8% compound annual growth rate of high-end households over the past ten years...
- India from a lower base will likely have similar high-end household growth over the next ten years.

## The growth of high-end households has materially boosted the market

### No. of China's High-Income Households

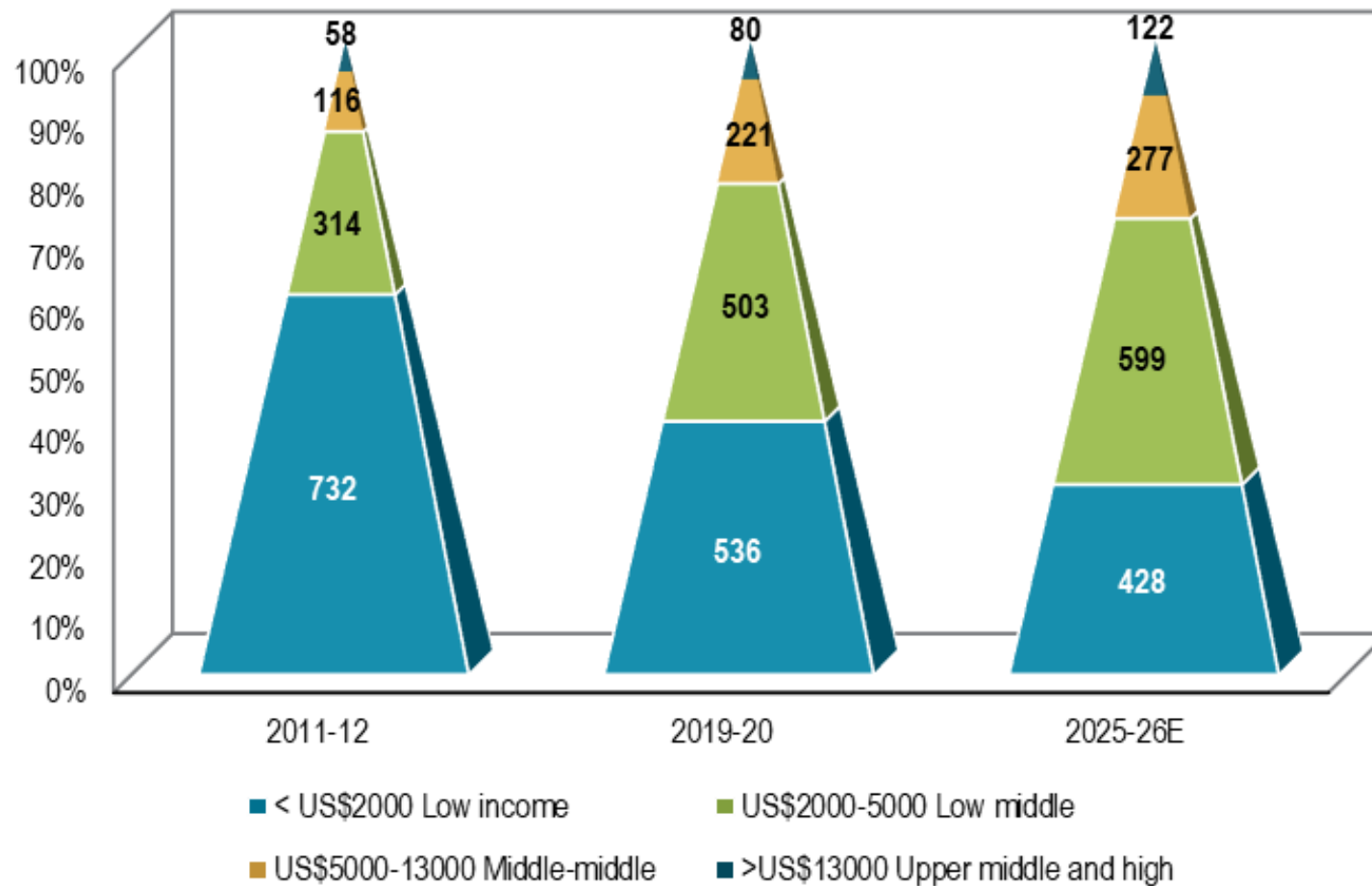


In China, this has significantly transformed the addressable market for luxury goods, cosmetics, athletic gear, travel and education. India is very likely to follow this pattern.

# India's Growth in Middle Class

GW&K Emerging Wealth Equity Strategy

## Annual Household Income Distribution (Million People)

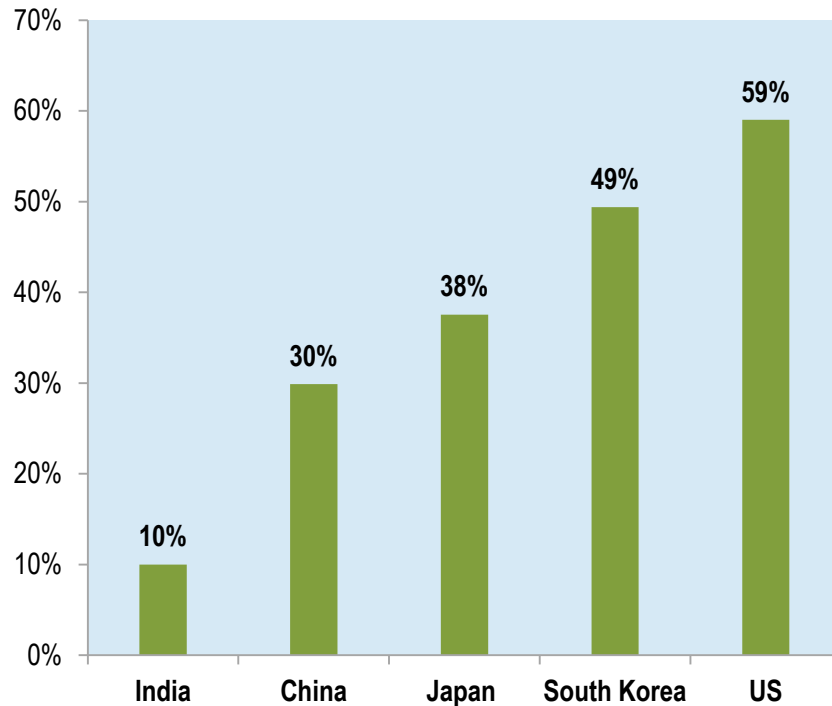


## Service Sector Development

GW&amp;K Emerging Wealth Equity Strategy

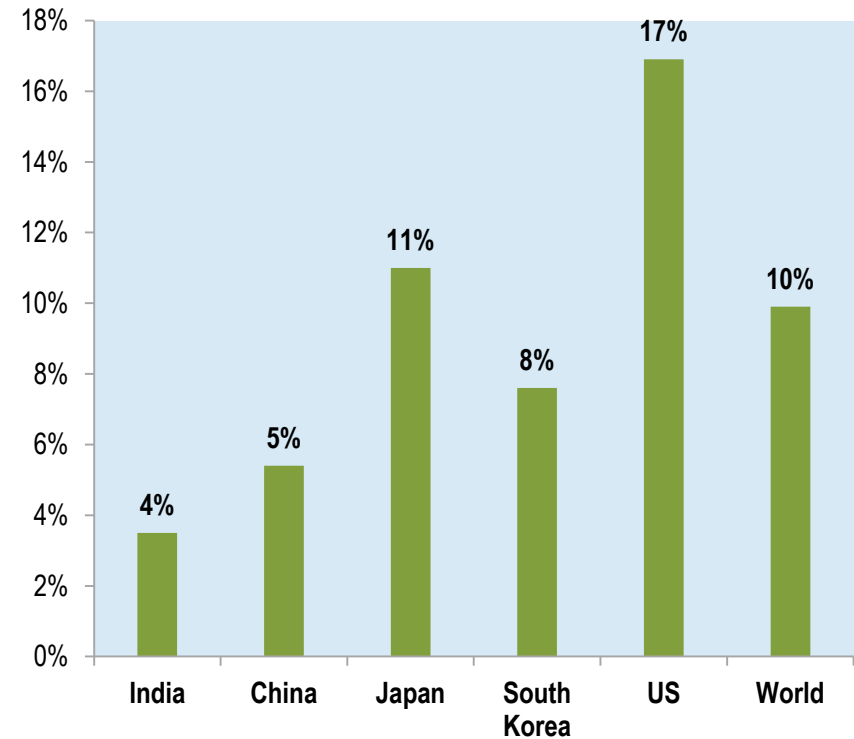
- Financial services and healthcare – examples of the potential in service sectors

**Mortgage Penetration**  
Mortgage % of GDP



Source: Statista, HOFINET, HDFC

**Health Expenditure (% of GDP)**  
2018

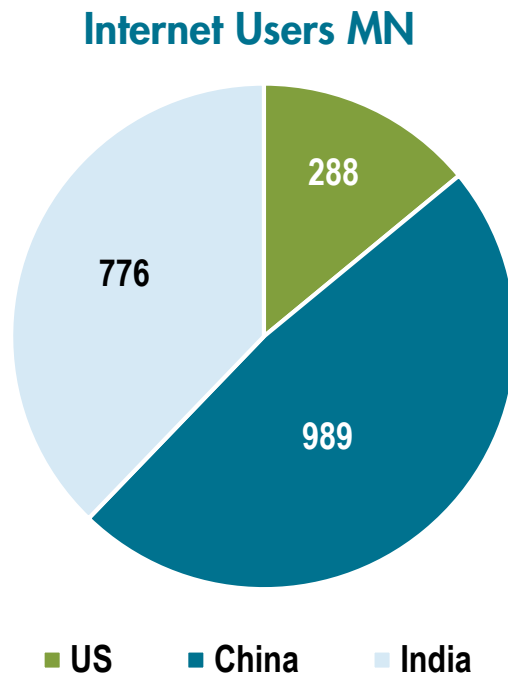


Source: World Bank

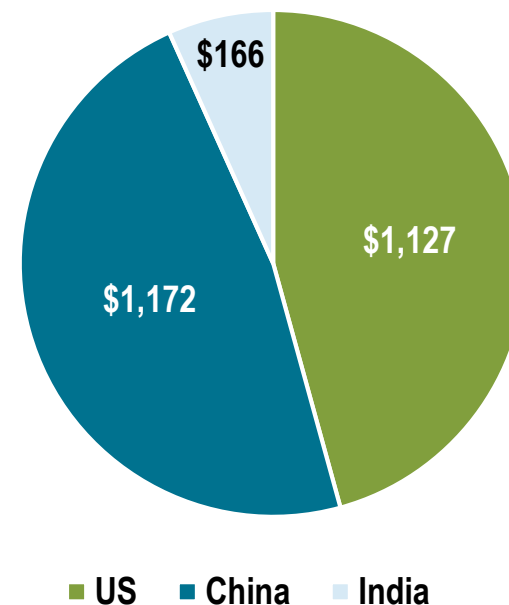
# Digitization: A Transformational Growth Driver

GW&K Emerging Wealth Equity Strategy

## Internet Services - A sizable addressable market



**Internet TAM \$US BN 2020  
(ex Fintech)**



### Opportunities Across Industries

- Telemedicine
- Education
- Shopping
- Travel and leisure
- Finance beyond digital payments

# Local Champions

GW&amp;K Emerging Wealth Equity Strategy

## Emerging Markets Consumer Franchises

- **Huazhu** → Marriott of China
- **Tencent Music** → Spotify of China
- **HDFC/Kotak** → MasterCard of India
- **Make My Trip** → Bookings of India
- **Trip.com** → Bookings of China
- **Walmex** → Walmart of Mexico
- **Alibaba** → Amazon/MasterCard of China
- **Tencent** → Facebook of China
- **Nike\*/Anta/LiNing** → Nike of China



\*Market share leader

# Index Underrepresentation in Fastest Growing Sectors

GW&K Emerging Wealth Equity Strategy

## ■ Multinational leaders in emerging markets - not represented in the MSCI Emerging Markets Index

- Quick-serve restaurant: ● —————➤ YUM, Starbucks
- Pharmaceutical: ● —————➤ Novo Nordisk
- Luxury Goods: ● —————➤ LVMH/Hermes/Moncler
- Athletic: ● —————➤ Nike
- Cosmetics: ● —————➤ Estee Lauder
- Natural Foods: ● —————➤ Hansen
- 5G IT: ● —————➤ Qualcomm
- Entertainment ● —————➤ Walt Disney





## China and India: What to Watch Near Term

GW&K Emerging Wealth Equity Strategy

### China

- Development of trade relations with U.S. and allies
- Credit expansion, credit quality
- Ongoing economic reforms, foreign investment
- Government regulatory oversight/overreach

### India

- Post Covid economic recovery
- Economic reform progress, foreign investment
- Budget and current account deficits
- Public sector spending/divestment initiatives