

Generate Thematic Investing Guide

How thematic investing can outpace the market

JULY 2025



[GenerateWealth.co.nz](https://www.GenerateWealth.co.nz)

A product disclosure statements for the Generate Unit Trust Scheme and the Generate KiwiSaver Scheme are available at [GenerateWealth.co.nz](https://www.GenerateWealth.co.nz) or by contacting us on 0800 855 322.
The issuer is Generate Investment Management Limited.

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IMPORTANT NOTE: Some of the historical returns data shown in this document are not from the Generate Thematic Managed Fund. Given the Generate Thematic Managed Fund was only established in July 2023, and has a recommended 10 year minimum investment timeframe, we have included historical returns from funds previously managed by the same individual Portfolio Manager (Nathan Field), which adopted his investment style and approach.

This document is intended as general information only. It does not take into account your financial situation and goals and is not financial advice. For advice about your particular circumstances please see a Generate adviser. Generate has a Responsible Investment Policy.

Past performance is not necessarily an indicator of future performance. Returns are after fees and before taxes.

The Product Disclosure Statements for the Generate Unit Trust Scheme (Managed Funds) and the Generate KiwiSaver Scheme are available at www.generatewealth.co.nz

What is thematic investing?

Thematic investing is an investment strategy that focuses on identifying broad trends or themes expected to shape the future – such as clean energy, ageing populations, or technological innovation. Once a theme is identified, the investment team look for companies that are directly involved in or likely to benefit from that theme. This differs from traditional investing, which typically starts by analysing individual companies or specific sectors.

Generate's Thematic Investing strategy is grounded in the belief that earnings surprises drive share price performance – and that the market often overlooks the powerful trends fueling above-expectation growth.

Equity markets are generally efficient at pricing static information, particularly in the large cap sector. However, they may struggle with accurately forecasting future earnings. Therefore, there are opportunities to generate alpha (return over and above benchmark return) by identifying companies in the early stages of an earnings upgrade cycle (Figure 1) or those facing temporary setbacks despite underlying growth (Figure 2). Focusing on structural themes and industry-level trends can help identify companies with potential for positive earnings surprises.

Figure 1

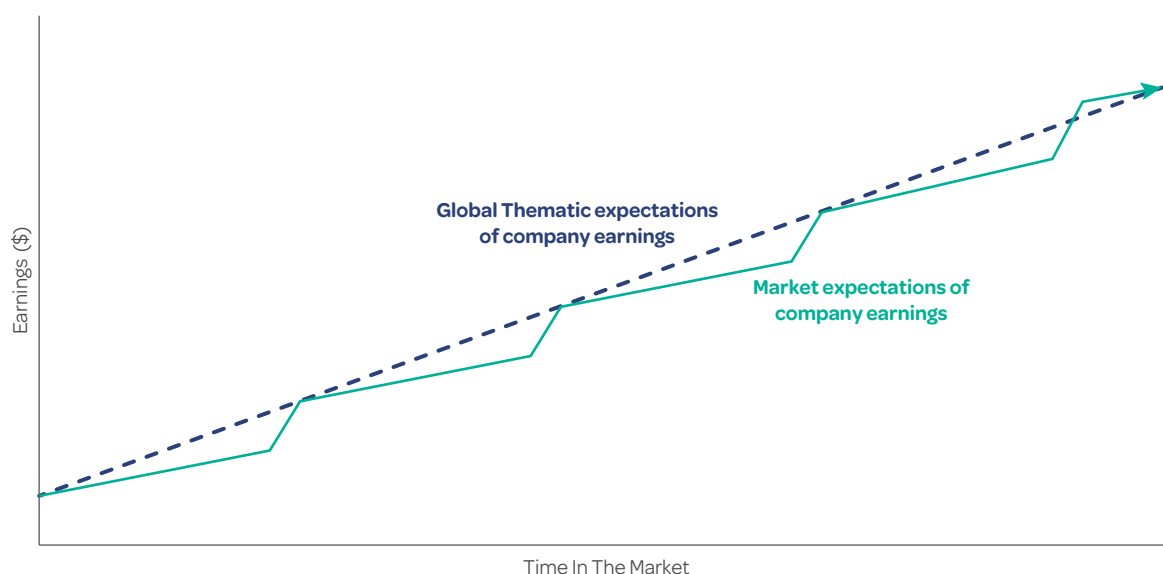
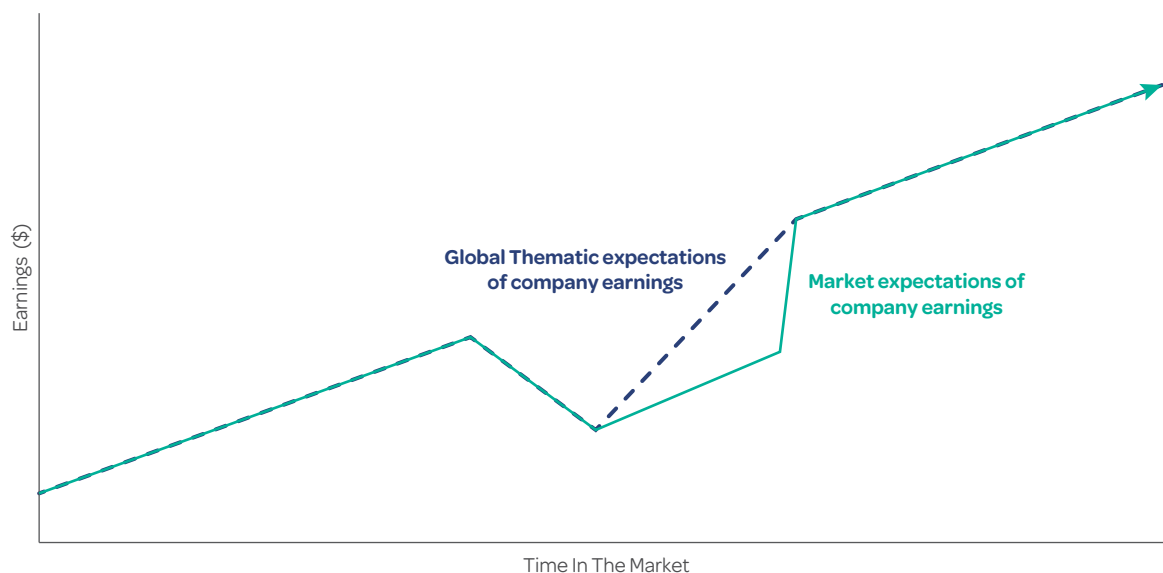


Figure 2



What benefits does it bring?

A thematic investing strategy offers several distinct advantages over traditional investment approaches.

Flexibility

The portfolio can be adjusted to reflect market changes. Focusing on large-cap, liquid equities keeps trading costs low, allowing quick exits from investments that may not be performing as well as expected and swift entry into new opportunities. In a fast-changing world, where trends can spread and evolve rapidly, this flexibility is a key advantage.

Consistency

By not adhering to a restrictive investment style, the capability to achieve above-market returns is enhanced throughout the economic cycle. A theme-based approach allows portfolios to be adjusted in response to changes in the trading outlook. For instance, secular growth may be prioritised, while cyclical equities may be favoured when economic growth accelerates.

Insight

Investing in a diverse array of themes and industries provides insight into the global economy, allowing for adjustments to the portfolio ahead of significant changes in the cycle. This awareness of the trading environment has positively contributed Thematic Portfolio Manager Nathan Field's investment performance in both bull and bear markets, as demonstrated in the track record on page 6.

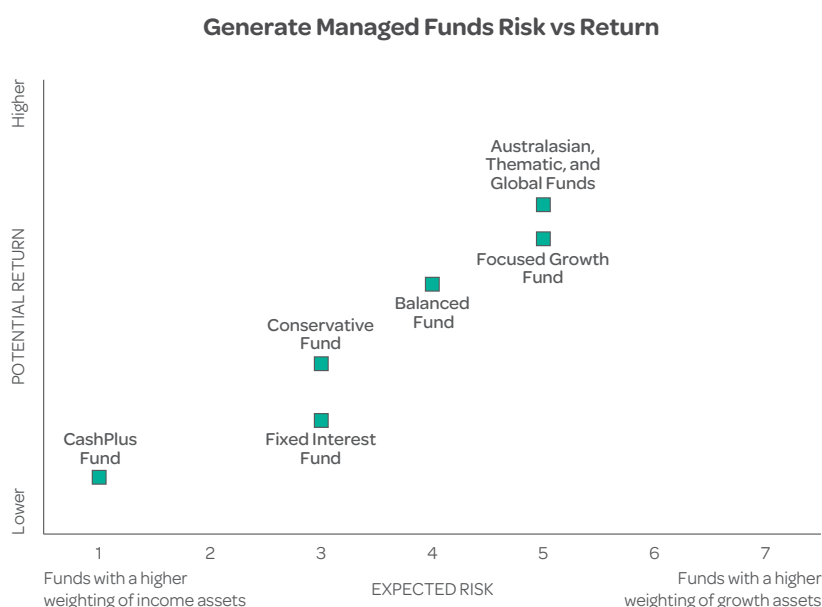


What are the risks?

Thematic investing is not for everyone. It involves an actively managed portfolio with a very high allocation to growth assets, predominantly made up of large cap international equities. There is a very minor allocation to income assets. Volatility is likely to be high. Given thematic investing focuses on specific sectors or trends, it may not be as well diversified as broader global equity funds increasing concentration risk¹. If a particular theme underperforms, it can negatively impact the portfolio.

The minimum investment timeframe for both the Generate KiwiSaver Thematic Fund and Generate Thematic Managed Fund is 10 years. It is a long-term investment option, better suited to those with a relatively high risk tolerance. Among Generate's suite of funds, the Thematic Fund has the highest risk indicator (along with the Australasian Fund and Global Fund).

It is important to understand the trade-off between risk and return when investing. All investments involve risk, and the level of risk and potential returns can differ based on where and how funds are invested.



Managing risk in our Thematic Fund

The Generate Thematic Fund portfolio usually includes 8-12 themes and 50-60 equities. We manage sector and geographic exposure relative to the benchmark but prioritise diversified themes that minimise economic and event risks. This results in a large-cap, high-quality portfolio designed for financial stability and adaptability to changing market conditions.

¹ For more information on the risks of investing refer to section 4 of the Generate Unit Trust Scheme Product Disclosure Statement and section 4 of the Generate KiwiSaver Scheme Product Disclosure Statement available at www.generatewealth.co.nz

Meet our Thematic Fund Manager

Nathan Field

Portfolio Manager, Generate Thematic Strategy

Nathan Field is the Portfolio Manager for Generate's Thematic strategy, which guides how our Thematic Fund for both Generate KiwiSaver Scheme and Managed Funds is invested. He is responsible for theme identification, portfolio construction, security selection and risk management across the Thematic fund for Generate KiwiSaver Scheme and Managed Funds.

With more than 25 years' experience in the investment industry, Nathan's career has taken him from New Zealand to Sydney and London. His extensive experience includes roles as a Senior Equity Analyst and Director at ABN Amro, and Asian Markets Adviser for Macquarie Bank. Nathan has a BA (Hons) in economics and a Post-Graduate Diploma in development studies from Massey University.



Nathan Field
Portfolio Manager

Nathan's Thematic investing track record

Before Nathan joined Generate, he was a Portfolio Manager and Head of Global Thematic investing at Kiwi Invest. For the ten years ended 31 Dec 2022 the portfolio managed by Nathan at Kiwi Invest returned 14.6% p.a. and beat the market index by 3.7%.

Kiwi Invest Global Thematic Strategy (managed by Nathan) for ten years to 31 Dec 2022¹.

	10 YEAR
Kiwi Invest Global Thematic Fund	14.6%
MSCI ACWI	10.9%
Gain over benchmark	3.7%

Source: MJW Investment Survey Dec 2022. All returns are in NZD and benchmark returns are unhedged.

Nathan joined Generate as Global Equities Portfolio Manager in early 2023. The Generate Thematic Managed Fund opened on 3 July 2023 and has returned 23.16% to 30 June 2025. Note that these are returns over a relatively short period of time. The minimum recommended investment timeframe for the Generate Thematic Managed Fund is 10 years.

Generate Thematic Managed Fund (managed by Nathan) since inception (3 July 2023 to 30 June 2025).

	SINCE INCEPTION
Generate Thematic Managed Fund	23.16%
MSCI World ex Aus	18.85%

Source: Bloomberg and Generate Investment Management Ltd. The benchmark shown is 50% MSCI World ex Australia Net Total Return 100% hedged to NZD and 50% MSCI World ex Australia Net Total Return in NZD.

Nathan is supported by the broader Generate Investment team, including our Global Equities Research Analysts, who cover different sectors of the market.

¹ Please note this is not a Generate fund. The information is provided for illustrative purposes, demonstrating Nathan's extensive experience in thematic investing. He was the portfolio manager for this strategy during his tenure at Kiwi Invest.

Our thematic investment process

There are various methodologies that can be adopted for thematic investing, which may include both quantitative and macro-driven approaches. There is no single approach or definition. We have set out below our approach and strategy at Generate, and indicated where this may differ from other thematic funds.

A common thematic strategy is to invest in themes that are long-term and widely known, such as 'aging demographics', 'technological disruption' and 'sustainability'. However, often these themes are too vague to be meaningful to our investment selection process, given we are looking to identify companies that we consider are likely to beat earnings expectations over the next twelve months.

Timing is crucial for performance, so our themes target specific trends relevant to the current trading environment. Below are some of our themes. Note that investments may span various geographies and industries within a single theme.

So instead of a general theme like 'green energy', we might focus on a specific trend within the theme such as Electrification. Instead of 'technological disruption', we narrow the field to enterprise software companies with subscription-based revenue models that are best placed to monetise AI features. By concentrating on themes that we consider will provide earnings growth over the next twelve months and beyond, we aim to position ourselves to achieve consistent market outperformance.

Current themes as at 30 April 2025 include:

Undervalued Health Pipeline

Eli Lilly	United States
Novo Nordisk	Denmark
Regeneron	United States
Vertex Pharma	United States
Astra Zeneca	United Kingdom

Maturing Cloud Platforms

Meta	United States
Pinterest	United States
Spotify	Sweden
Netflix	United States
Uber	United States

Electrification

Amphenol	United States
Broadcom	United States
Wesco	United States
WillScott Mobile	United States
Schneider Electric	United States

Subscription-based Software

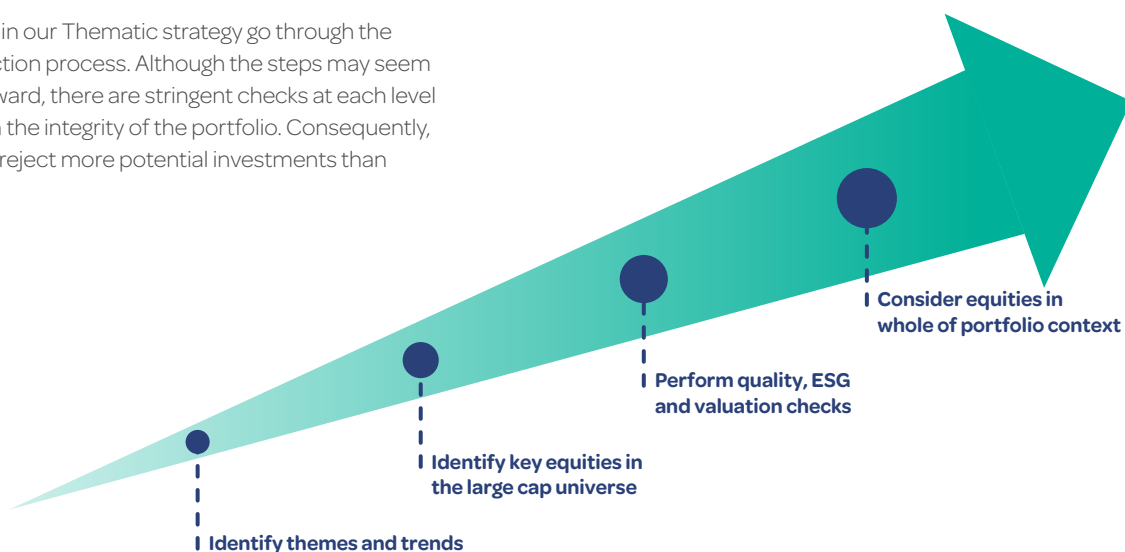
Microsoft	United States
Workday	United States
Salesforce	United States
ServiceNow	United States
GoDaddy	United States



LVMH

Our equity selection process

All equities in our Thematic strategy go through the same selection process. Although the steps may seem straightforward, there are stringent checks at each level to maintain the integrity of the portfolio. Consequently, we tend to reject more potential investments than we accept.



Identifying themes

Although similar information is accessible to everyone simultaneously, particularly in the large-cap universe where we operate, we believe that our team's ability to extrapolate and interpret this information provides us with a competitive advantage. Our team continuously monitors trends and patterns that we believe the market may overlook. These insights may emerge during quarterly earnings seasons, through product reviews on technology blogs, or by observing consumer behaviour in shopping malls or supermarkets. We do not restrict the sources of these themes, as long as there is a clear path to monetisation and compliance with our responsible investing criteria.

Selecting equities

Once we identify a suitable theme, we select those companies we consider are best positioned to benefit from it. Our team conducts thorough bottom-up research, analysing each security's financial strength, competitive position, and theme exposure.

Many portfolio equities align with multiple themes. For instance, Amazon benefits from online retail growth, increased cloud infrastructure demand, and video streaming expansion. Similarly, Broadcom stands to gain from electrical grid expansion and AI-driven data center growth.

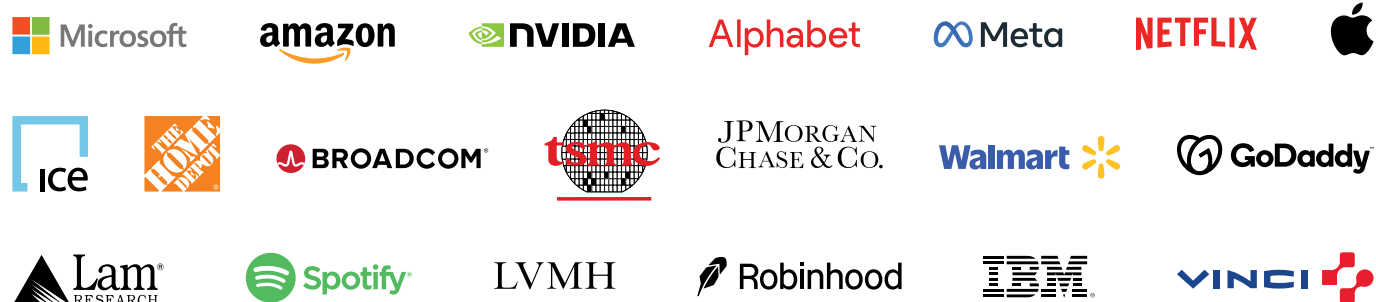
Our carefully selected portfolio also considers responsible investing criteria. For more details, refer to Generate's Responsible Investing Policy.



Where is our Thematic Fund invested?

The top 20 holdings of the Generate Thematic Fund portfolio as at 16 May 2025.

	EQUITY	SECTOR	DOMICILE	WEIGHT %
1	MICROSOFT CORP	Technology	USA	5.90
2	AMAZON.COM INC	Consumer Discretionary	USA	5.50
3	NVIDIA CORP	Technology	USA	5.18
4	ALPHABET INC-CL A	Communications	USA	4.35
5	META PLATFORMS INC-CLASS A	Communications	USA	4.21
6	NETFLIX INC	Communications	USA	4.05
7	APPLE INC	Communications	USA	3.19
8	INTERCONTINENTAL EXCHANGE INC	Financials	USA	3.02
9	HOME DEPOT INC	Consumer Discretionary	USA	2.82
10	BROADCOM INC	Technology	USA	2.65
11	TAIWAN SEMICONDUCTOR-SP ADR	Technology	Taiwan	2.64
12	JPMORGAN CHASE & CO	Financials	USA	2.51
13	WALMART INC	Consumer Staples	USA	2.24
14	GODADDY INC - CLASS A	Communications	USA	2.04
15	LAM RESEARCH CORP	Technology	USA	2.00
16	SPOTIFY TECHNOLOGY SA	Communications	Sweden	1.89
17	LVMH MOET HENNESSY LOUIS VUITTON	Consumer Discretionary	France	1.86
18	ROBINHOOD MARKETS INC - A	Financials	USA	1.70
19	INTL BUSINESS MACHINES CORP	Technology	USA	1.68
20	VINCI SA	Infrastructure	France	1.43



Our Thematic Funds

The thematic investing strategy is available as both a Generate KiwiSaver Scheme Fund or as a Managed Fund. Our Thematic Managed Fund launched on 3 July 2023 and our Generate KiwiSaver Scheme Thematic Fund launched on 30 April 2025. As with any KiwiSaver account, eligible members may get the benefit of the employer and government contributions, but funds are locked in until age 65, unless you qualify for a permitted withdrawal under the KiwiSaver Act. A Managed Fund doesn't get any additional external contributions, but is much more flexible in terms of withdrawals.

Generate KiwiSaver Scheme Thematic Fund			
INVESTMENT OBJECTIVE AND DESCRIPTION	ASSET ALLOCATION AND RISK INDICATOR*	TARGET INVESTMENT MIX	MINIMUM RECOMMENDED INVESTMENT TIMEFRAME
Aims to provide a higher return over the long term. It invests in an actively managed portfolio of growth assets predominately made up of mid to large cap international equities based on investment themes that are considered to have high growth potential with a very minor allocation of income assets.* Volatility is likely to be high. (Returns will vary and may be low or negative at times.)	<p>Asset allocation</p> <p>2% Income 98% Growth</p> <p>Risk Indicator</p> <p>Low ← RISK/RETURN → High</p>	<p>Target investment mix</p> <ul style="list-style-type: none"> Cash and cash equivalents 2% Fixed interest 0% Australasian equities and property 0% International equities 98% 	10 years

Generate Thematic Managed Fund			
INVESTMENT OBJECTIVE AND DESCRIPTION	ASSET ALLOCATION AND RISK INDICATOR*	TARGET INVESTMENT MIX	MINIMUM RECOMMENDED INVESTMENT TIMEFRAME
The Generate Thematic Managed Fund aims to provide a higher return over the long term. It invests in an actively managed portfolio of growth assets predominately made up of mid to large cap international equities based on investment themes that are considered to have high growth potential with a very minor allocation of income assets.* Volatility is likely to be high. (Returns will vary and may be low or negative at times.)	<p>Asset allocation</p> <p>2% Income 98% Growth</p> <p>Risk Indicator</p> <p>Low ← RISK/RETURN → High</p>	<p>Target investment mix</p> <ul style="list-style-type: none"> Cash and cash equivalents 2% Fixed interest 0% Australasian equities and property 0% International equities 98% 	10 years

Estimated total annual fund charges

FUND NAME	BASE FUND MANAGEMENT FEE*	THIRD PARTY UNDERLYING FUND BASE FEES*	THIRD PARTY PERFORMANCE FEES*	ANNUAL FUND CHARGES AS A % OF NET ASSET VALUE (NAV)**
Generate KiwiSaver Scheme Thematic Fund	1.185%	0.000%	0.000%	1.19%
Generate Thematic Managed Fund	1.268%	0.000%	0.000%	1.27%

* Estimates ** Net Fees rounded to 2 decimals

Conclusion

Focusing on global themes can help identify equities that may exceed future earnings expectations, which can influence share price performance. Generate's Global Thematic Portfolio Manager has used this approach over the past decade (at his previous employer and now at Generate), comfortably outperforming the MSCI in terms of risk-adjusted returns.

For more information about the Generate Thematic Managed Fund, please visit www.generatewealth.co.nz, call 0800 855 322 to speak to a Generate Wealth adviser, or ask your current adviser.



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