

Goldman Sachs Global Millennials Equity Portfolio – Monthly Update

Environmental Stress

‘The greatest threat to our planet is the belief that someone else will save it’ – Robert Swan OBE

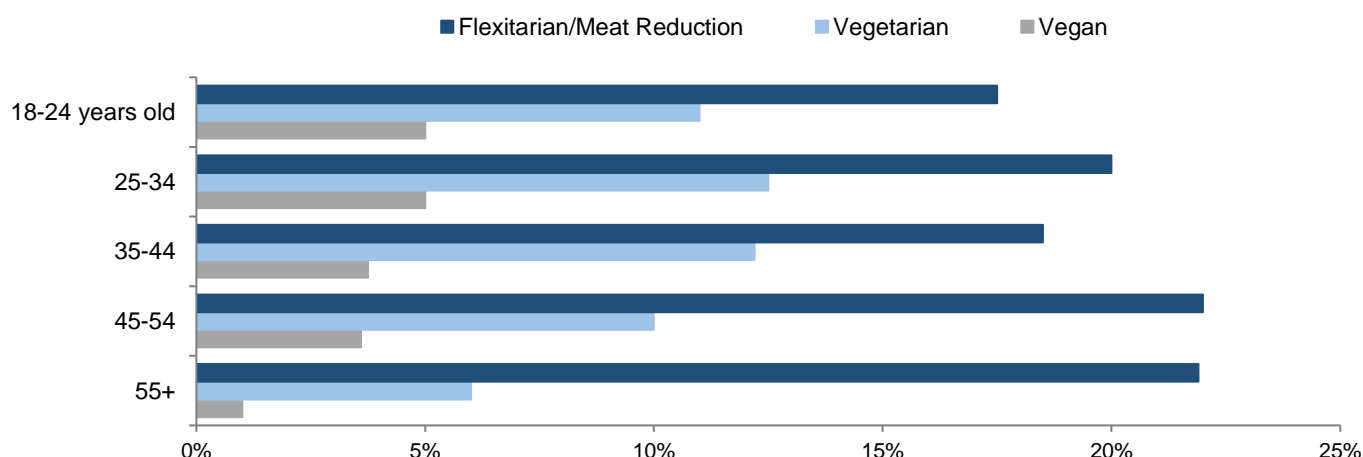
The underlying thesis of the GS Global Millennials Equity Portfolio is that the millennial generation represents a **force for change in the world** – change that could manifest itself in significant opportunities for investors. Rising wealth, in convergence with technological innovation, have made Millennials the **great disrupters of the global consumer landscape** over the last few years. But it may be Millennials’ ascendancy as consumers, in convergence with the **urgent need to address environmental issues** such as climate change, where we may see their biggest impact on society. Could the increasing pressure that millennials will be able to apply **as consumers, as voters and – ultimately - as leaders**, make them **the first generation that tries to save the planet**?

We have highlighted in an earlier piece (see Sustainable Advantage – May 2019) that environmental issues are at the top of the millennials’ worry list, and that there is increasing evidence to show that **spending patterns are changing to reflect the values of this generation**. The **rise of the ‘conscious consumer’ is a disruptive force in its own right**, demanding different solutions from consumer-facing companies, disrupting supply chains and offering opportunities for the more innovative companies to open up new product markets and establish market share.

In this piece we consider some recent evidence of changes in millennial behaviour, reflecting the influence of environmental concerns.

We shouldn’t meat anymore

The trend towards meat substitutes is now well established in many developed countries, driven by **the millennial generation’s trio of preferences for healthier ingredients, more sustainably sourced product and a lower carbon footprint** (livestock being a major source of methane emissions). A survey conducted by British supermarket chain Waitrose revealed that, even in 2018, one in eight Britons had become vegetarian or vegan; with a further 21% claiming to be ‘flexitarian’ – a vegetable-based diet with occasional meat indulgence – this implied that **a third of UK consumers have chosen to reduce the amount of meat they eat, either partially or completely**. Whilst older generations are happy to subscribe to flexitarianism, it is the **younger generations that represent the hard-core herbivores**:



Source: Guardian Graphic, Waitrose food and drink report 2018-19. For illustrative purposes only. Any reference to a specific company or security does not constitute a recommendation to buy, sell, hold or directly invest in the company or its securities.

The survey also revealed that around 60% of vegans and 40% of vegetarians surveyed had adopted the lifestyle over the past five years, with **55% citing animal welfare concerns, 45% health reasons and 38% environmental issues.**

Clearly, this is a trend still in its early stages but the statistics are already compelling; there has been a frenzied readjustment in UK supermarkets' offerings to try to **stay aligned with this change in consumer demand**. As Rob Collins – the MD of Waitrose – concluded:

'Being mindful of how we live and eat has become a priority in today's world. As we become increasingly mindful of our own health, the wellbeing of our family and that of the planet, we're reshaping how we shop, cook and eat'.

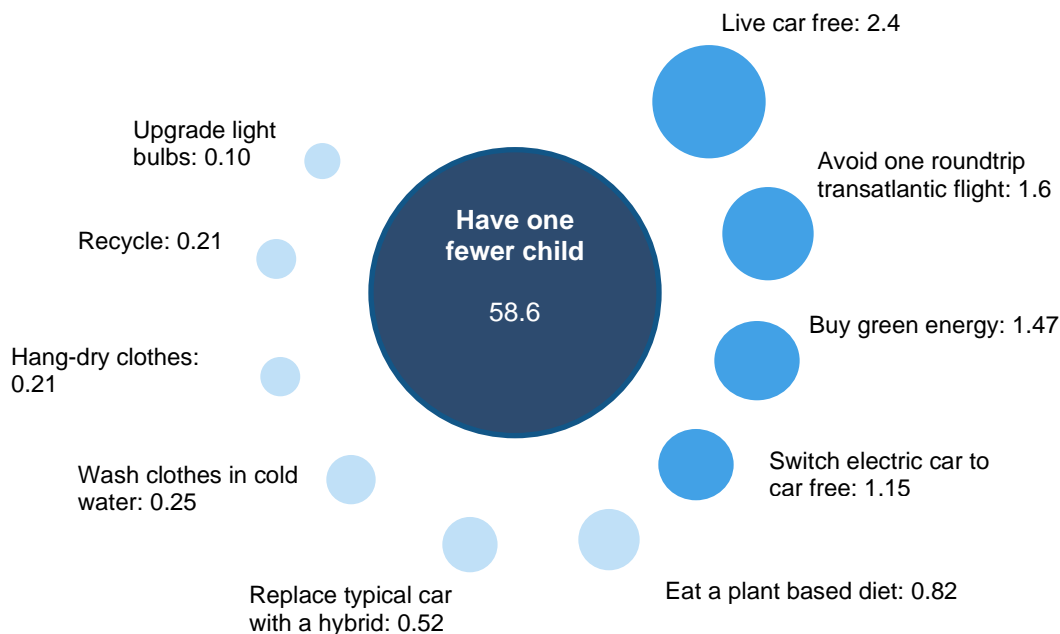
Bye-Bye Baby

A more dystopian consequence of millennials' concern over environmental issues was revealed in another UK survey by YouGov in January 2020.

According to this survey, **one in ten young couples deciding against having children have done so for climate change reasons.** Although still relatively low down the list of reasons for not having children (cost, and impact on lifestyle topped the poll) the growing influence of environmental concerns on what is – for most people – the most significant choice in life, is revealing. The concerns cited by young people choosing not to raise a family range from the environmental impact of children themselves (according to one estimate, the environmental toll of having even one children equates to 58.6 tonnes of carbon each year – see chart below), to a fear of exposing their children to an increasingly environmentally degraded world. This latter attitude finds its most extreme manifestation in the Voluntary Human Extinction Movement (VHEMT), which propounds the most radical solution to the Earth's problems.

Baby Footprint

Tonnes of CO₂-equivalent per year for one person undertaking each action



Source: Guardian Graphic, Wynes and Nicholas Environment Research Letters. For illustrative purposes only. Any reference to a specific company or security does not constitute a recommendation to buy, sell, hold or directly invest in the company or its securities.

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