

# Thematic Investing | Luxury Brands



## Overview

Investing in luxury brands offers unique opportunities due to their distinctive appeal and strong brand equity. The global luxury goods industry has demonstrated resilience and consistent growth, even in the face of economic downturns. According to data from Bain & Company, the global luxury market rebounded strongly in 2022, with sales reaching €345 billion.<sup>1</sup> This resurgence was fuelled by pent-up consumer demand, particularly in regions like China and the United States.

Luxury brands often benefit from high profit margins and pricing power, allowing them to weather economic uncertainties more effectively than other sectors. As emerging countries continue to develop, luxury brands offer aspirational appeal and contribute to enduring consumer demand and brand loyalty.

In recent years, luxury brands have adapted to changing consumer behaviours and technological advancements by embracing e-commerce, digital marketing strategies, and experiential retail concepts. This omnichannel approach has enabled luxury brands to engage with a broader audience while maintaining their aura of exclusivity. Investing in luxury brands can provide investors with exposure to a prestigious and resilient sector with long-term growth potential.

## Benefits

- **Strong brand equity:** Luxury brands often enjoy enduring appeal, leading to sustained profitability and premium pricing.
- **Resilience to economic downturns:** High-end consumers tend to be less affected by economic fluctuations, providing stability in uncertain times.
- **Potential for growth:** Emerging markets and increasing wealth among consumers worldwide offer opportunities for luxury brands to expand their market reach and sales.

## Challenges

- **Market volatility:** Even though Luxury brands are less affected by economic fluctuations, they are not totally immune. Consumer confidence can impact sales and profitability.
- **Brand reputation:** Maintaining brand prestige and exclusivity requires continuous investment in marketing, innovation, and quality control.
- **Changing consumer preferences:** Evolving consumer tastes and trends demand agility and adaptability to stay relevant in the competitive luxury market.

# Shortlist of ETFs gain exposure to this theme

Ticker	Name	Net Assets (US\$)*	Holdings	Fee	Link to Factsheet
GLUX FP	Amundi S&P Global Luxury	\$630m	80	0.25%	<a href="#">GLUX FP</a>
STR FP	SDPR MSCI Europe Consumer Discretionary	\$160m	58	0.18%	<a href="#">STR FP</a>
LUX US	Tema Luxury	\$8m	31	0.75%	<a href="#">LUX US</a>
KLXY US	KraneShares Global Luxury Index	\$3m	53	0.69%	<a href="#">KLXY US</a>

\*Data as at 31 December 2023



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[1] Source: [BAIN & Company](#).

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