



P R E S S R E L E A S E

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Taylor Young Investment Management backs luxury goods market

*The news that sales at Harrods grew by 14pc last year is evidence that the luxury goods sector is proving a sound investment opportunity according to **Peter Thomson, CEO and CIO at Taylor Young Investment Management.***

Harrod's reports of strong demand for luxury brands with sales of fine jewellery increasing by 35% is a perfect endorsement for Taylor Young's continued enthusiasm for companies involved in the sourcing and supply of luxury goods, which fuels the company's thematic-based investment approach in which it identifies specific drivers and enablers where change or opportunity is present.

Peter Thomson said:

"The drivers of the luxury sector can be divided into two sections. The first is a set of rational drivers, including the sustained growth of global GDP, the strong levels of world tourism (which in turn leads to a high proportion of luxury transactions) and the somewhat astonishing yet unrelenting growth in the wealthy section of international society that are the prime participants in the luxury goods market. The second is a set of emotional drivers, including 'aspirational buying' and the search for comfort, indulgence or opulence.

"Different civilizations have always sought to develop ornate and luxurious things. In delivering modern-day luxury, businesses tend to focus on craftsmanship, service, performance, longing, exclusivity and the so-called 'dream'. Shares in some luxury brands have been increasing at a strong pace and there seems to be little doubt that the increased wealth evident in major economies is what is fuelling this growth. China and India are perhaps providing the principal engine of growth in this respect, with the oil-producing nations, Russia and Brazil also contributing heavily to the rapidly expanding middle and upper-middle classes and the rising number of entrepreneurs who enjoy an escalating amount of disposable income or discretionary spending power."

Demographic and social change forms the bedrock of Taylor Young's thematic analysis of the luxury sector. Thomson continued, "The dynamics of sub-sectors of the luxury market are quite remarkable, with small volumes of sales often accounting for substantial value. An example is in the watch market, where it is estimated that 1–2% of the market by unit volume (this being between 5–10 million units of a total volume of perhaps 520 million units) represents 30–40% by value (this being between £3.5–4.5 billion of a total value of perhaps £11 billion). This highlights the importance of the luxury market to a sector such as this and also the opportunities available in less mature segments of a market."

There are obvious attractions to the investor in targeting luxury sectors, with good and prudent diversification available at both the sector level and also at the



geographic level. Whilst the UK has little quoted exposure to the luxury goods sector, there is a bias in western markets towards Continental Europe and, in particular, the manufacturers and distributors such as LVMH, Swatch, Porsche and Richemont, which Taylor Young considers to display strong fundamentals and striking business models. In a wider context, the retailers, service providers and house builders who are catering to the top end are also considered attractive. Tiffany (the jewellery house from the US) is a good example of a business responding to demographic changes in a positive and pro-active manner through a major strategic initiative addressing the developing markets of the Far East and Emerging Europe. The majority of stocks in this area of the market are not cheap but they have generally displayed powerful growth patterns and the prominent intertwining themes present various potentially attractive propositions for certain investment mandates.

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Notes to Editors:

Taylor Young Investment Management Limited (Taylor Young) was founded in 1986 to provide highly personalised investment management to individuals. The firm had £515m under management as at the end of December 2006.

Taylor Young follows an independent, research-led, thematic investment approach, and offers defensive, balanced and growth strategies incorporating the traditional asset classes of cash, bonds and equities with alternative investments. Today, while continuing to focus on managing families' and individuals' personal, pension (SIPP and SSAS) and trust portfolios, Taylor Young also manages investments for charities and smaller institutions.

The PAM Awards Judging Panel nominated Taylor Young for three private asset management awards in 2007. They were for *Investment Performance – Growth*, *Investment Performance – Income* and *Image & Reputation – HNW*. In 2006, Taylor Young were nominated for two PAM awards, *Performance – Growth* and *Image & Reputation – Boutiques*. In 2005, High Nets Inbrief Awards short listed Taylor Young in their *Investment Manager of the Year* category.