



Go Global: The Case for Global Thematic Investing

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I was struck by the headlines on two investment strategy articles that crossed my desk just recently. One was entitled “Searching for Certainty,” and the other, “A World of Uncertainties.” This stark juxtaposition highlights just how difficult it is to invest in today’s world where just about the only certainty, frankly, is for more volatility and risk. And while we can accept, then, that there is no such thing as certainty, we do need to be able to invest confidently and over a medium term.

Over the past three years, following the financial crisis, there’s been a lot to grapple with on a day-to-day basis. But cutting through the noise, I think there are also big challenges for the investment industry. And the question we have to ask ourselves is whether we’re set up to consistently deliver for our clients as events unfold.

At Newton, we start by identifying a number of themes that set our framework, a big-picture framework for our analysts and fund managers to do more detailed research on particular opportunities. These aren’t things that no one’s ever thought of before. They are clear, observable trends. For example, we all can recognize the advent of the networked world. We’re all using technology and the networks in a way that we never could have envisaged even a few years ago. And the possibilities are significant for many companies as they embrace this trend.

Another key investment theme for us is the shift in economic power from the Western world to the emerging markets, particularly those in Asia and Latin America.

But for us, the most important theme is something we describe as “all change,” and this is our shorthand for the de-leveraging trend that we think is all encompassing and approaches every aspect of our lives, and that we’ve really seen since the financial crisis of just a few years ago. Now this de-leveraging theme we think will continue to play a very big part in investors’ minds for many years to come. It’s not something that will be addressed in a matter of months. And because it’s somewhat unprecedented, we think it will result in sharp divergences on an ongoing basis between asset class performances, between currency performances, and will make for a more volatile world. It reinforces the need for a more flexible approach and again casts a question over the rigid specialist portfolio construction approach.

It also reinforces the need for a global approach. Now one of the things that has changed over the past few years has been that individual country risks have changed, particularly as authorities have tried to tackle the difficulties in fiscal situations in the different ways. And while this might suggest that you should adopt a more constrained geographic approach, we think that nothing could be further from the truth, and that every company, every sector, every opportunity should be considered against a global context. We think that’s the only way that you can identify the true long-term winners.