

LONG TERM GLOBAL GROWTH – PHILOSOPHIES – GLOBAL JOHN MACDOUGALL

As our understanding of the concept of global continues to evolve, investment manager John MacDougall suggests that where a company happens to be based will not prevent it from building a high-growth business in the future. As such, we must be prepared to see high-growth companies emerging from new locations across the globe. John explains how the Long Term Global Growth team are adapting their research to accommodate this.

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John MacDougall: I don't think where you are based is a barrier any more to executing on an idea or a dream that you have.

My name is John MacDougall and I am one of the portfolio managers within the Global Equity department.

The concept of global was really at the core of everything from the foundation of this strategy. There was a general frustration with the way that the industry at that time looked at global markets in a very compartmentalised way, with references to benchmarks. We wanted to some extent to free ourselves up from those constraints and offer a global portfolio of the highest growth potential ideas.

The concept of global, of course, is constantly evolving. What excites us today in a global context are the knock-on implications that are going to be felt for many, many years. The first that I am really excited about is the huge, new-found access to education and information that has been facilitated across the developing world thanks to the connectivity revolution, allowing the curious mind in Africa or Indonesia to really have access to the tools that he needs to go on and then build a successful business. And I think that is a real empowering, democratising trend that excites us about the future.

An idea that really intrigues us, looking forward, is the concept of technological leapfrogging. We have seen examples in recent years, perhaps Kenya is a good one in terms of the way that a mobile payments based system has really caught on there and become widely used. And we see this same idea occurring again and again in different areas. It's likely that we are going to see the first drone airport in the world in Rwanda because, I think, there is a lack of infrastructure in that environment and as soon as a technology emerges, you can adopt it very, very quickly and implement it. So I think that could well be an interesting driver of future growth that we need to keep a close eye on.



If where you happen to be based geographically is no longer a barrier or impediment to building a high growth business in the future, we obviously need to remain alert to the potential that a new growth business could emerge from different locations to parts of the world than we have historically seen most high growth businesses emerge from. So, we look closely at areas such as Israel, some parts of India, and increasingly China.

There are various ways that we try to keep abreast of what is going on in some of these new hot spots of innovation. Speaking to academics, we've found, is a very useful way to keep track of emerging trends within their particular speciality. Speaking to authors and specialists in particular regions or sectors is a very useful way. Another crucial element of it are extended research trips. We think to really understand the long-term drivers of an area, it is important that you do embed yourself for a bit longer in parts of the world, to really start building up a useful network of interesting, long-term thinkers.

Over the past couple of years, we have placed more effort into researching unlisted businesses. Again, in a global context. I think a key driver behind this is if we are trying to see where the next big growth ideas come from, in whatever part of the world that we are looking at, it is quite possible that they are going to be unlisted businesses at that stage that are just perhaps beneath the radar screen of many, but when we place such a high value on getting to know management teams early and building a long-term relationship with them, I think it is very important that if you are casting your net as wide as possible, that you get to meet these companies earlier.

As we look forward over the next decade, I think the idea of global throws up a number of interesting questions about the direction of the world. We are living in an era when very large companies have got unprecedented reach and impact on the lives of billions of people globally and I think we are just at the very early stages of seeing what those sort of impacts are going to be. From Elon Musk suggesting to us that humanity need no longer be constrained by the confines of the world itself and we should be looking beyond that, to management teams, companies building virtual reality worlds, challenging us to think about how humans might inhabit a completely different digital world in the future, these are the sort of ideas that we love to hear and that challenge us and make us think differently about where the future might go.

To some extent, the likes of Facebook, Google, Alibaba, Tencent, are assuming the power and role that perhaps governments in the past might have held. So I think it is crucially important that we as long-term shareholders engage and discuss and understand the longer-term impacts that these companies are going to have on the world. And for that reason, we recently updated one of the ten questions that we have, to include an explicit element where we consider the contribution that a company is going to make to society over the coming decades.

The way that we have approached looking at the world in a global context and really trying to understand the drivers of future change and future growth businesses has remained constant since the foundation of the strategy

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