TRANSCRIPT

Capital Group: 10 investment themes for the next 10 years

John Gagliardi: Hello, everyone, and welcome to "Investment themes for the next 10 years." I'm joined with David Polak from Capital Group, and we'll be talking about these investment themes for the next 40 minutes, and then stay tuned: we'll do a little bit of demonstration.

So, today's topic: Top 10 investment themes for the next 10 years. So, bring your crystal ball as we look into the future for trends that could shape tomorrow's investment landscape. We'll get insights into what markets may look like, based on emerging technology, advances in medicine, alternative energy, and more. Then we'll break it down, what this could mean for your portfolio.

So, let's start off by introducing Mr. David Polak. He is an Equity Investment Director at Capital Group, leading the Investment Specialist Team for Equities, and representing a number of capital global equity strategies. In addition, he is the Global Investment Director for ESG. He has 36 years investment industry experience and has been with Capital Group for the last 14 years.

Prior to joining Capital, he was a Managing Director of the Equity business of UBS and Deutsche Bank. He holds a bachelor's degree in economics from University College London, graduating with honors. And David is based in New York.

So, David, please, take it away. We can't wait to get started.

David Polak: Thank you, John, and good afternoon to everybody. Firstly, I'd like to complain. I'd like to complain about the slide that my marketing team put up as the start here. What you'll notice is a lighthouse that is looking out over a stormy ocean with very, very gloomy skies, and yet when you look ahead to the next ten years -- and I hope when I have finished making this presentation you will see one reason why our investors within the Equity Group at Capital are increasingly constructive about the outlook for the next ten years, and despite the storms and tribulations that we have seen during 2020, when you look out over the next ten years there is a tremendous amount to be excited about.

Now, everything has to be through the lens of valuation. One of the health warnings I want to give ahead of my comments is that we're going to be talking about themes, but by focusing too much on themes one can become carried away, and forget that ultimately our job is to generate future investment returns, and you do that by having a very careful eye on valuations, and you need to weigh things in the balance on a constant basis. Yes, we invest over the very long term. When we buy companies and when we invest in companies, we typically look to hold them for multiple years, often decades, and so we're not just looking at the next quarter; we're often looking at the next quarter century. But within that we have to keep a constant eye on valuation, so that's the first point.

And, secondly, we build portfolios from the bottom up. So, most of these thematic observations that I'm going to take you through all are derived from a series of bottom-up observations. We carry out something like 15 to 18,000 company meetings a year with our global network of analysts, and that gives us a thousand points of light from which to draw these themes. So, valuation matters, we're a long-term investor, and we build the portfolios from the bottom up.

So, Jonathan, if we could go to the next slide, please. So when we go back to 1982, there are a couple of outlandish observations that were made, but when we look at them now we think, well, that's kind of interesting: a thin-screen TV; a telephone the size of a pocket calculator. Well, of course, Claudia, that was not as insightful as it appeared back then because now telephones are even smaller than what was then a pocket calculator, and the thin screen covering an entirely wall, actually, that is pretty predictive, almost as good as a motion picture -- sorry, Jim, better than a motion picture now. Next slide, please, Jonathan.

And so, some of the things we're going to be talking about now will stretch into the future. Nineteen eighty-two was, sadly for me, when I entered the industry, 38 years ago. And so, we're looking about the next ten years, but think of a number of these observations as having significant legs.

Now, the first slide is entitled "Every company is now a tech company." It looks at IT service revenues, and you can see the general direction of travel, but I want to use this slide to make a broader point. Over the last ten years we've seen a wave of innovation, and that innovation has largely been brought about by networking, and many of the slides, many of the themes I'm about to take you through, come from this central observation of networking. And to put this into context, I want to give you an even longer-term perspective than before 1982. In fact, I want to take you back to the late eighteenth century.

The end of the late eighteenth century, we saw the first Industrial Revolution, so that was the advent of steam. And to some extent that was replacing mankind's muscle with a machine. Fast forward to the end of the nineteenth century, so the late 1800s, and we saw the networking of that first Industrial Revolution. The networking was the second Industrial Revolution, mass production, electrification. And that second Industrial Revolution, the networking of the first, created enormous wealth: Rockefeller, Carnegie, Vanderbilt. And much of that was a transfer of wealth from old industries to new industries. And some of you may have heard the old adage when looking at a company and thinking about is it a value trap, is it a company that's being disrupted, the question is: is it a buggy whip company? And that phrase comes back to this period, at the end of the nineteenth century, the end of the 1800s.

Fast forward again. The third Industrial Revolution was beginning to replace mankind's mind with a machine. And, of course, I'm talking about the advent of computing power, and that builds up steam towards the end of the last century. And the fourth Industrial Revolution, that we believe we're in the midst of now, like the second's relationship to the first, the fourth Industrial Revolution is the networking of the third. And like the second Industrial Revolution we have seen over the last ten years a tremendous transfer of wealth from the physical to the digital. We've seen wealth transfer from the physical to the digital. And we'll see some elements of that as we go forward.

Every company is a tech company, the point being -- and we'll see examples of this -- that it's not just technology sector that is going to see significant disruptive change; it's every industry is up for grabs. And with a clean sheet of paper, with a level playing field, we're seeing a number of industries begin to change shape, and that brings enormous risk, and, of course, it brings enormous opportunity.

So, if we could go to the next slide. Let's look at a few examples. When we think about mobile payments -- and let's focus on the right-hand side, the U.S. and the U.K. -- they still remain a very small part of our transactions. We tend to prefer transactions by cash, or by check. Interestingly, if you look at some of the emerging markets and you're in China, you can see that they have already risen to about a third of transactions with electronic means, a mobile wallet.

Now, it's interesting, if we just stay with China and India, because the populations that are driving this, the young cohort population, they skipped the analog age. Young people in these countries, when they came into their twenties, and they began to purchase things, they looked back on their childhood and they didn't grow up with televisions in the household; they didn't grow up with telephones; they didn't grow up with Sony Game Boys. They didn't grow up with all of the paraphernalia that I grew up with and you grew up with, and so they were free to make different choices, and that's why companies like Tencent and Alibaba and Reliance in India have created fantastic apps, fantastic services, because they have a market which is very responsive to the services they offer. And so, in the area of mobile wallet transactions, you see a tremendous uptake.

Now, if you note -- and why would you, because it's going to be very small on your screen -- in the bottom left you'll see that the estimates were as of the end of 2019. This is pre-COVID. And so one of the things you'll hear from me, and I'm sure you've heard it from others, is that we've seen these adoption rates really begin to increase, so mobile transactions in the United States are no longer nine percent; they're in the mid-teens, and growing very rapidly. And a company like PayPal, back in the spring, told us that what they had seen was adoption rates that they expected to see over the next two years happen over two months. And that was because, if you think of your own situations during this pandemic, we've had more time at home. We have done more on the internet. And that has allowed us to think about -- and it's given us the time -- allowed us to think about how we do transactions securely on the internet. We've known for some time that PayPal offers the most secure and more convenient method of transacting on the internet, but -- I don't know about all of you -- I've simply not had the time to shift my details and create a PayPal account. Well, COVID gave me the time. It reduced my travel, it reduced my commuting, and so I had the time, and so inertia was less of a barrier. And so, what you are seeing is a number of these more convenient, more effective tools, that are created by the power of networking, becoming more effective and accelerating in their effectiveness because of the pandemic. Let's look at another example. Next slide please, Jonathan.

So, what are we paying for with our PayPal accounts? What are we paying for online? Well, I think if your household's like my household, an awful lot of what's on this slide. We have seen a huge increase in the number of people who are streaming video content. The way we consume entertainment has changed markedly over the past five years, and if you think about what's happening in the United States, imagine what's happening outside the United States. In the U.S., we have an extremely rich variety of entertainment choices when we turn on our wafer-thin, movie-quality flatscreen TVs. But if you're in Slovenia, Slovenian terrestrial TV doesn't really offer you the same quality. Frankly, it doesn't in France; doesn't in Germany. And so, the uptick you are seeing for these companies, particularly Netflix, is significant.

Let me take you back to that first slide, when I talked about the networking effect, the power of this fourth Industrial Revolution. The internet has provided zero-cost distribution for multinational companies. What does that mean for Netflix? That means that Netflix can provide video entertainment over a distribution system that doesn't cost them a penny. It's called the internet. And one way of illustrating that is that after building their business in the United States, and then they trialed I think it was Germany and the U.K., Netflix decided that they wanted to go much more broadly outside the United States, and in one day -- one day -- they turned on 138 countries. That would have been impossible pre the internet. They were simply able to flick a switch. And one of the skills that they have adopted -- and so have Amazon, but Netflix are the market leader -- has been to produce local content -- not just dubbed American movies or dubbed American series, but local content for local markets. And so, you have globalization through the network, through the internet, but with a tremendous understanding of local content and local tastes.

So, will the shift to streaming accelerate? Yes. Will Disney, Amazon, and Netflix compete against each other? Maybe. I have all three. What I'm probably going to do at some point is cut the cord. All my kids have cut the cord, all four boys. And it's this next generation where the competition is between terrestrial television and streaming. The total addressable market for these companies is significant. There are probably two billion broadband subscriptions out there. That's probably the total addressable market. Next slide, please, Jonathan.

So, we've talked a little bit about how we pay for things. We've talked a little bit about what entertainment we can consume. Now, of course, we are doing this over Zoom. Zoom is supported by the cloud. And we are seeing companies like Fidelity, like Capital Group, like pretty much every company out there -- large, small -- moving their data to the cloud. Now, let's just define what "the cloud" is. The cloud is a series of servers that are hosted, and have software overlays, and the main providers of these services are people like Amazon Web Services and Azure by Microsoft. Google are a distant third. But what they're providing is superior data storage, safe data storage, and better analytics to be able to sort and access the data. And as companies look at their technology budgets, and they think, well, apart from really, really, really sensitive data, why would I have all of this on hardware that I have to rent the space; I have to create the software, update the software, develop the software; I have to create the connections? I can subcontract that out. And, of course, this is part of a much broader trend.

And if you look at the position where we are today, infrastructure and platform as a service, you can see that we have just cleared the hundred thousand -- in other words, hundred thousand million -- mark. Probably, if I draw a line across it's about 120,000 million. And yet in the not too distant future -- and we're talking about ten themes for ten years; we've only got halfway, and we're already twice the level we are today. And that will continue to compound, and if you have a sharp eye you will see that that chart is mildly exponential. In other words, the rate of increase gets greater and greater. My suspicion is -- and I've seen plenty of these charts over my career -- is that they go one of two ways: they either flatline, and we've got it wrong, or they're much sharper in their incline than we anticipate. This feels like the latter. Next slide, please.

So, we're going to now change tack. So, I'd introduced the idea of fourth Industrial Revolution, lot of technology enablement, a number of examples and themes that we can invest in. Let's look at another, if you like, secondary effect of these themes, and that is that when you have leveled the playing field, when you've created a blank sheet of paper, when you can essentially recreate through innovation, you can recreate an industry, you can grab a lot of share of the new industry. Think of Amazon's share of e-commerce. Now, Amazon have got a tiny share of physical commerce but a large share of e-commerce, and then we can start thinking about advertising. So back in 2007, top two companies had 4 percent. Last year, Alphabet and Facebook were closing in on 40 percent. That's going to continue to increase. So, the big platforms are getting bigger.

Now, of course, the interesting thing is -- and some of you are probably thinking, yeah, but what about regulation? Public policy will have its say at some point, and, of course, the European Union are having another run -- and they've been running at the big technology companies for about two decades -- let's not forget Microsoft; they've also had a go at Google in the past, and they're doing it again. But public policy will have its say. And I'm not saying that there won't be some hurdles put in the way, but one of the things that we wrestle with is most of the issues of large platforms getting bigger are not influencing behavior in the same way as it used to. So, most regulation is there to protect the consumer. The consumer needs to be protected if companies get really, really big, and the prices of the services they offer go up. But, of course, what's been happening with technological change is that it has a massively deflationary impact.

Let's take Amazon. It's hard to think about public policy having some series of measures that they could impose on Amazon. What are they going to do, tell them to charge higher prices or take a day longer with their delivery? It's hard to see what the remedial recommendations could be by public policy. Maybe they could be broken up, but then let's go back to the end of the nineteenth century again. Let's think about Rockefeller. Most of Rockefeller's fortune was made when Standard Oil was broken up into its constituent parts. A lot of value was unleashed, and that was probably true of some of the companies you see in front of you.

Another way of thinking about the big keep getting bigger is to move away from just the platforms, and I'll give you an example that's not on the slide, but if we think about semiconductors, particularly logic chips -- so those are the high-end semiconductors -- they are the picks and shovels of the internet age. They're the enabling technologies, or at least one of the enabling technologies. Back in 2003 there were 25 companies manufactured all of the world's logic chips. Today, there are two: Taiwan Semi and Intel. And, actually, Taiwan Semi is pulling ahead of Intel at the moment, in terms of having cutting-edge technology. We're seeing consolidation, and therefore pricing power, across multiple industries, much of it because of the shakeup that's occurring, back to this idea that innovation is affecting all industries, and so therefore the companies that can embrace technological change, can embrace innovation, are going to get a bigger and bigger share of the pie. And that, again, is another tremendous investment opportunity, because that brings pricing power. Next slide, please.

What about healthcare? So here we are. We are nearly 25 minutes into the presentation. I sense restlessness in the audience. Some of you are saying, "Well, this is the year of the pandemic. He hasn't even mentioned healthcare." Well, now is your moment, because, of course, what we're seeing is the pandemic hasn't just accelerated trends in terms of what we do as individuals, and what we do in terms of our work habits; it's beginning to accelerate trends into how we think about the delivery of healthcare. And here we have telemedicine, and you can see the kind of growth profile that we expect there. I don't think this is anything new. You've probably all seen articles, listened to podcasts, watched videos of people talking about this, and there's a real opportunity here. One of the things I would say is beware of the valuations of some of these companies -- again, back to that very early point: we have to look at this through the lens of responsible investing for the long term. But the trend is definitely there. I mean, the United States, we spend something like 19 percent of our GDP on healthcare. By way of contrast, the developed European markets -- think Germany, for instance -- pay about 10 percent of their GDP on healthcare. And yet we've all had the same miserable experience with COVID, and so are we really getting effective healthcare returns for our dollar?

And so there's a lot of thought that is going into that, and, of course, where you think about artificial intelligence, you think about the internet, you think about big data, you think about a lot of these innovative technologies, that could be brought to bear on healthcare. It could be brought to bear in terms of having the bandwidth to deliver telemedicine. It can also produce very small sensors, the size of a small coin, that can be put on the arm of a diabetic that can monitor their insulin levels, and, in some cases, when tethered to a pump, could administer, automatically and remotely, the necessary insulin. That could be used for cardiovascular events. That can be used for other areas of unmet need. Diagnostics are improving enormously. We're able to map the human genome. Of course, that comes out of the network effect, the cost of splicing the human genome, unraveling the human genome. I think the first time they did it, around 2000, was roughly $2 billion. Now you can sequence the human genome for less than a thousand bucks.

So, there's a tremendous amount of medical innovation going on in the area of drugs, in the area of drug delivery, in the area of diagnostics, and in the area of broader healthcare delivery. And this is a huge area of opportunity over the next ten years and beyond.

So, I've been talking about industries and themes. Let me switch tack and talk a little bit about geography. So, if we could have the next slide, please. So back to my complaint about the clouds on the horizon, one of the clouds on the horizon is our relationship with China, our largest trading partner, and the second largest economy on the planet. And we're having some disagreements, and those disagreements shouldn't be taken lightly. But when you look beneath the surface -- think about those 15-18,000 company meetings we do a year -- those thousand points of light give us a differentiated perspective on what's going on. When you talk to global pharmaceutical and biotech companies, and you say to them, "Will you move your supply chain out of China because of some of the political issues that are going on?", they would say, well, it would be difficult, because ever since their access, or their accession, to the World Trade Organization back in 2000, China has been investing heavily in creating ecosystems around areas of technology and areas of medicine, and they've been ramping up their research in the area of medicine.

And so, China is now mission critical to many of the global pharmaceutical companies. China is now producing more and more world-class companies themselves, and, interestingly, without technology transfer.

One of the things that the Chinese authorities have done recently is they've begun to focus on the health and wellness of their population. Partly it's genuine altruism, but partly it's also they don't want to have riots that will threaten the Communist Party, and health and the environment have become big issues. And so, they moved -- and this is one of those things that you wouldn't have read about in the paper -- they moved to a new policy of approving medicine where they began to approve new medicines, new molecules. Up until then, they'd only been approving old molecules.

That has led to just an explosion of opportunity for local companies and multinationals, and they don't differentiate between the two. And so, there's a tremendous amount of opportunity within healthcare, both in terms of the research and the market in China. And that can be replicated across other industries. The Chinese market as a whole -- and this is a broader point -- is becoming more and more important, not just because of the size of the economy, but last year there were 331 IPOs in China. Three hundred and thirty-one. If we take out weekends, that's more than one a day. This year, last time I counted, we'd just gone through that number, despite everything. So you're beginning to see more and more exciting companies, many of which are operating in all of the previous slides that I've been through, so I expect to be hearing over the next ten years more about China, and that many of the companies you hear about will fit into the themes that we've been discussing. Page eight, please.

Now, of course, the interesting thing about this slide is which Industrial Revolution. (laughs) Now, the person who wrote this didn't check with my speaker notes, but, of course, they're referring to *the* first Industrial Revolution. And I think there's something in this because artificial intelligence comes out of networking. It is a key part of the fourth Industrial Revolution, and, in many ways, I think it underlines, it reinforces that claim that this might be the most disruptive change. And you can see that when you produce artificial intelligence, and you put it alongside automation, and you then use big data, you access big data with those two things, you can see across this timeline how the use of artificial intelligence is going to impact things like machines, data, and people, and that connection is the key point.

So, let's look at a couple of examples of how that may come about. So, if you go to the next slide, please. So, if we think about big data and cloud computing, we can think about smart transportation, smart building. We've already touched on smart health. Alternative energy is a critical component. We're seeing more and more companies move towards having energy produced in a more renewable fashion but being able to increase the efficiency of the energy that is captured, and then targeting it in the right way. Security is a big deal, and, of course, security in retail is a big deal.

What's fascinating about this is if we start thinking about some of how this might affect the world, let's just take one area where we may see significant change. So, I mentioned China. I mentioned supply chains. So where there's a great deal of intellectual content within the supply chain in China, it is unlikely that that supply chain is going to change, but there are many parts of the supply chain where companies outside of China use China for the cheap labor. And so, this was in the area of production. But with artificial intelligence, cloud computing -- sorry, artificial intelligence, big data, and automation -- those production processes can come nearer to the home market. They won't create many new jobs, but you will see more and more production processes come closer to the end market, which often is the United States. And so you could start seeing more automated production facilities across the United States, linked together by smart transportation systems, and you could begin to see a rising industrial dreadnought in the

United States, linked, for instance, by smart trains that move the goods from one part of the supply chain to another within the continent of the United States. That's just one example of how one might dream about what comes next, much as Jim Rothenberg and Claudia Huntington did.

Now, of course, on the right-hand side we have self-driving cars, and for many that's the nirvana of Tesla. Tesla have taken such a lead in electronic vehicles that they are accumulating billions of miles driven, and so their software is able to capture what happens when you go around a corner at speed, slowly, on a camber, without a camber, when you brake in the corner, when you don't brake in the corner, when you lose control in the corner. That's all captured and beamed up. And so that means that there's this just tremendous lead that Tesla has in terms of all the information you need to program artificial intelligence to create a fleet of Teslas, and people have already begun to think about a business model where, you know, maybe John goes out and buys a fleet of ten Teslas, and then it wouldn't be Airbnb; it would be AirTesla. And you want to ride a Tesla when you're next in Boston? John will rent it to you, I'm sure, for an usurious rate. But that would create a new business, just like Airbnb did.

And so you can see how you start thinking about how the world might change: production facilities in America -- only a few engineers making sure they continue to turn over, and those engineers will often be software engineers -- linked by trains that are autonomous, that run on autonomous tracks and networks, and people traveling around in autonomous vehicles that might be owned by one individual. We move towards a more asset-light approach to our household, and, by the way, I haven't even got into: what does that do for the insurance company? What does that do for parking lots? What does that do for gas stations, and the people who own the real estate for gas stations? What does that do for the design of a car? If it's autonomous, why do you have to face forward? These are some of the things that are going to shape the world of investment over the next ten years.

Let's move to one last slide. Something I haven't talked about is demographic trends. I've talked a lot about the impact of innovation, and let's go back all the way to the start. What is exciting about many of these innovations is when the world has low interest rates, it means that the stock market, the valuation of these long-term trends, can be long-term in itself. And we could talk about the discount rate, and how that's inversely related to value versus growth and all that sort of investment gobbledygook. What actually really matters is if the return on money is virtually zero, you're happy to use it for longer-term investment ideas. The bar's lower.

And so, the stock market is willing to think about what does Netflix look in 2030. Sorry, what does Netflix's market look like in 2030? How many cars, and what kind of cars, can Tesla produce in 2030? And one of the reasons that rates are low is because we're in a deflationary world, and one of the reasons we're in a deflationary world is the changing demographics. The way the world is shifting is there are more savers than spenders, but, interestingly, it is also affecting spending patterns, as well. The consumption patterns of the folks that you see on this screen are quite different. I already mentioned that in terms of the consumption patterns for, say, payment systems in India and China versus the developed world.

So, again, massive changes occurring through the shift in population, both geographically and in terms of age cohorts. And the big influence of this is deflationary, which, of course, affects all of the other themes before it.

I'll comment on one last thing, if we go to the next slide, which is a theme that is... Ah, no, sorry; I forgot this one. This is emphasizing the point I made earlier: we invest for the long term, and you can see that when we look at the bonuses that we pay out to our portfolio managers, we match that claim with how we compensate our investors. And if compensation is a driver of behavior, then you can see that by having the emphasis on the eight-year holding period we are asking our investors to look beyond the near-term noise, and to think about the kind of things that I've been discussing, again, one company at a time, and that is the formation of these ideas that I've presented. Next slide, please.

So, now, the last thing I was going to mention. We've seen an increase in interest in what used to be called externalities. What do I mean by externalities? If I think about the last slide, we're trying to invest for the long term.

If you're trying to invest over an eight-year time period, the income statement and the balance sheet can only get you so far. What's going to matter more and more as you think about holding a company for eight, nine, 10, 11, 20 years is what kind of management do they have. What's the governance of that? How do they treat their employees? What's their relationship with their community? What's their relationship with their industry? And if you look at the companies we've held for long periods of time, they have a lot of these attributes.

Over the last let's call it five years -- probably longer in some cases -- we have seen these externalities sharpen into focus on environmental, social, and governance issues, and these are all incredibly important. And we're incorporating these ESG dimensions into our investment process. We think by incorporating them systematically, it will make us better investors. Our focus is to improve our ability to generate long-term returns. That's the objective. An outcome will be doing some good, as well, doing good across these dimensions.

But let me just give you one example, and we'll go back to alternative energy/renewable energy. If you have a company that is focused, maybe today, on oil, hydrocarbons, but over the next several years begins to use those cashflows to focus on investing in renewable sources of energy, if they can execute on that, that will likely be a good investment. We've seen a number of examples of that. We believe there are many more.

Now, some companies won't be equipped to do it. They simply won't have the skillset. Some of the skillsets are different. And that's where some of the other issues: is it a well-run company? Do they have good governance? How good's the management? That will all come into play on their ability to execute on that. But that's an example of how focusing on some of these issues, say, in the environment can help us generate better investment returns in the future. So, with that, let me finish. Thanks for your attention. John, back to you.

John Gagliardi: All right, you got it. I'm going to jump in here with a screen share because one of the first things someone had asked are some examples of some funds, so let's get right to it and get some examples of some funds.

So, here, if you're on Fidelity.com, you could just type in ANWPX, which is the New Perspective Fund. And, here, let's move this over a bit. Let's take a look at the last year, because the last year has been one of the toughest years on record, because, as far as I know -- and I'm a big historian of markets; I really love to look at markets -- I've never seen a market collapse and then rebound as quickly as it has.

The Dow had wiped out all the gains from 2016 to present when March of 2020 happened, and it's very difficult for portfolios to maintain through that, and then to exceed expectations on the way back up. And I think American Funds New Perspective, this is interesting because you could see the big selloff that happened with COVID, and it was kind of in line, but we really did separate the wheat from the chaff here, and you could see this fund really came out on top. And if we look to the right, just to go through some of the Fidelity research here on this fund, you could see the top ten holdings. You could see some of the things that the folks there are thinking about Tesla, is a large portion of the portfolio. And the S&P has been kind of slow to keep up because they only now just decided that they're going to add Tesla to the S&P 500, although it's been putting out four consecutive quarters of profits, and they met every other benchmark, so it's interesting to see how slowly the S&P is coming around, and you could see the difference in some of the performance here, by owning some of those better names in a more advantageous allocation here, and some of the names that David hit upon, like Taiwan Semiconductor, and so forth.

So, this is one of the funds, and I did want to bring up two others, so I'll put in ANEFX, which is the New Economy Fund. And here I'm going to do the same kind of work where I want to see how it fared in the last year. And so here you could see there's the top ten names over here on the right, and it hit on a lot of those themes that David spoke about, about e-commerce, and there are some names here that I actually don't know. When I looked through this earlier, I said, "I'm going to check out what CDAY is, because I've never seen this name pop up before." And this is really how the fund managers really are able to take advantage of the analysts, and the amount of work that they put in. They're coming up with names, especially in these futuristic environments, and they're names that you might not know or even think of. Now, of course, you could always go into the fund and say, "All right, show me the top ten holdings," and try to replicate some of this yourself, but that's the advantage of having a manager is that the managers are figuring out these names, so you're getting the stock picking part done for you, but then it's also the allocation: how much of your portfolio should be dedicated to any one of these names? And that's really the job that portfolio managers bring to bear here. This is the work that they put in.

And I'll scroll down a bit here, and you could see the returns over the various timeframes. And just to scroll down a bit, you could always take a look at who the fund managers are, what the fund objectives are. And you'll notice this particular fund, it's looking to have half the assets outside the U.S., because a lot of these great ideas are coming from abroad, so it's taking advantage of international markets, as well as domestic. And, of course, we'll give you the breakdown of that, as well. So, there's no shortage of research here that you can start with, and you'll notice anywhere where you see it say, "Show more," you can get more detailed information on that page.

And the last fund I do want to bring up is the New World Fund, and that is NEWFX. (pause) All right, and here we're going to break this down. Let's take a look at the last year, because the last year is pretty interesting to me, and I'm seeing a bit of a trend here. In the last year, a lot of these newer technology and new economy type funds have had a nice, consistent outperformance of their benchmark, the market, similar diversified emerging market holdings. So, this is another interesting opportunity here, where you're seeing the outperformance as markets are rallying out of the COVID lows; it's which portfolios really have figured it out. And, now, this is looking for exposure to countries and developing economies.

So, we're looking more at EM and early development markets here. So, this is a very different kind of a fund. And, again, go through your research. Do your due diligence and do all your background homework on this. And this is where you find these interesting things. And if you're worried that, hey, maybe I missed this, am I too late -- that's a frequent question: am I too late to the party? You'll notice if you went back to the highs of February 2020, we're only small, small, small baby steps ahead of where we were all the way back in February of 2020. So, the only thing you missed so far, really, was most of the pain and agony brought to investors by Coronavirus. These are all just starting to emerge from those highs and break new highs now.

END OF AUDIO FILE

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.