

Alex Lieberman [00:00:10] What is up, everyone? This is Alex Lieberman, cofounder and CEO of Morning Brew. And this is Fresh Invest, your new favorite investing podcast sponsored by Fidelity Investments and powered by Morning Brew.

Alex [00:00:25] Here's what you can expect from Fresh Invest. Each week, I will dive into a massive business topic making headlines, and work through the impact that topic has on my portfolio. Fresh Invest is the jet fuel you need as a young investor. And today's topic is—drum roll, please—[sound of drum roll] the future of work.

Alex [00:00:45] As Fresh Invest listeners may or may not know, for the last eight months, I've been hunkered down in my mom's home in New Jersey. Thanks, Mom. I've commandeered her dining room for my podcast recordings, and her front porch has become my designated venue for calls and meetings. But this isn't just an Alex Lieberman situation.

Alex [00:01:04] You, me—we all have been impacted by remote work in a myriad of ways. And despite being eight months into this world pandemic and new way of work, I have zero idea where the light is at the end of the tunnel. On one side, you have positive vaccine news, with Moderna announcing its own vaccine is 94.5% effective, on top of Pfizer's similarly positive announcement last week.

Alex [00:01:29] But on the other side, these pharmaceutical companies have been clear about the lengthy timeline to achieve mass distribution of a vaccine. Plus, the United States just topped 11 million coronavirus cases since it made landfall. Such uncertainty has turned the entire idea of working on its head.

Alex [00:01:48] And I want to know what all of this means for the markets and my wallet. A few weeks ago, I sat down with Chris Lee from Fidelity Investments. He delves into how the rise of a remote workforce is impacting specific sectors and how it informs my trading strategy. Let's get into it.

Alex [00:02:06] Chris Lee, thank you for joining the conversation.

Chris Lee, Fidelity Investments [00:02:09] Absolutely. Thanks for having me.

Alex [00:02:10] So we are talking about the future of work. I would love some context from you. What is it that you do, and why are you potentially one of the most qualified people on the planet to talk about the implications of future of work?

Chris [00:02:21] Sure. So, through the investing lens, in my time at Fidelity, I've had the great privilege and opportunity to invest and run funds that target disruptive growth stocks, as well as products that have focused on more value-oriented incumbent names as well. And we've seen the dynamics play out pretty uniquely in the marketplace recently.

Chris [00:02:41] More currently, I'm now one of the managing directors of research for global equity. And so I've had a chance to recently experience what it's like to lead and adapt organizations to this unprecedented working from home period. So I think the

confluence of all those experiences hopefully will be helpful in shedding some light on this going forward.

Alex [00:02:58] So, there's two pieces of this that I'm fascinated by. One is the piece of just you, as an investor and as a thought leader around the global equity markets, kind of how your thoughts have changed. And then the second piece is just as a manager, how the way in which you interface with your team has changed. I want to focus on the piece about investing for a second.

Alex [00:03:20] So as you think about the way that the market has been disrupted by remote work and what that means from an investing perspective, can you start to break down for me how you think about such a massive structural change as it relates to the impact on different sectors and thus, how you think about those different sectors from an investor's perspective?

Chris [00:03:40] Yeah. So it's interesting. When you think about the investment effects of working from home, the first observation is the market's actually done really well. But if you kind of peel back the onion, there's been a bifurcation in terms of the winners and the losers. If you look at the performance of companies in the technology sector, in the communication service sector, they've been much more levered and benefited from working from home.

Chris [00:04:02] For example, in the software space, the move to the cloud and the reliance on distributed computing and remote access, whether it be communications platforms like Zoom, which is now a verb and a noun, you've had video game stocks, as people have been nesting at home and looking for things to do.

Chris [00:04:20] Obviously, companies like Netflix, which you've seen the acceleration of streaming video, play out even in a more dramatic fashion. So it's really companies like that that have fortuitously benefited from that type of transition. And, it's interesting. A lot of these trends have been in place and ongoing, and the pandemic has really served to both validate and accelerate these trends in a way that, again, has just pushed forward in terms of bifurcating the winners and losers in the market.

Chris [00:04:47] In terms of areas that have been impacted in a negative fashion, obviously travel, leisure, areas that require large gatherings and, from a structural standpoint, seemed diminished and perhaps permanently impaired demand trends. So airlines, for example, have been hurt in a pretty disproportionate way, and then the entire supply chain associated with that. And it remains to be seen how well they can recover and how long that takes.

Alex [00:05:12] Awesome. And there's the obvious industries that have been negatively impacted from the change in society in the way in which we, as human beings, are interacting with societies. How would you think further about these industries, and think about the long-term impacts on these industries that are so obviously being disrupted and going through a difficult time right now?

Alex [00:05:33] Do you think, from an investor's perspective, you should be thinking about these as a more permanent shift, or do you think there will be a rebound to some of these industries that have been absolutely clobbered over the recent months?

Chris [00:05:42] So that's an interesting question. I think it's an open question. I think it's fair to say that there are some more structural and permanent implications in terms of even if you think about business travel. Do we enter a period where there's going to be more remote interaction, being able to communicate with multiple clients one day? I think those things will certainly have an impact overall on demand.

Chris [00:06:04] I think the flip side is there's still some premium to closing a deal in person. And I think the initial reaction is that we're all going to go remote and no need to ever hop an airplane again. My guess is we'll probably fall somewhere in the middle. I think there'll be some more nuanced areas where folks are really compelled to be there in person. It probably is less than before, but it will continue to evolve over time.

Alex [00:06:29] Yeah. And, you know, I think to your point, kind of sussing out what is going to be this potentially permanent structural change or acceleration of trend versus what is going to have kind of this trampoline effect after the dust settles. On that point, we've continued to see certain employers either extending their remote work policy or literally making remote work an option for employees indefinitely.

Alex [00:06:57] As we think about that trend, how do you think we should take that and translate it to our own investment theses in understanding that some companies are literally making remote permanent work an option for their workforce?

Chris [00:07:11] I think in terms of thinking about how to invest in that context, we touched on trying to really understand and assess what changes are really permanent and which ones are more temporary in nature. I'd say that's obviously one prevailing question. The other area that is worth thinking about is really in the area of new company, new concept, new problems that have emerged from working from home.

Chris [00:07:33] And these are things that we are still learning about, whether it's, in my experience, building out the culture of bringing people online, hiring folks in a remote setting. There are new areas of friction that have arisen. And I think those are areas that are ripe for new companies to come in and address those problems. So I think there's a whole new category of companies that may come out of that paradigm shift to more working from home.

Alex [00:07:58] I'd love to stay on this idea of the impact it's had on your own work in your own team over the last several months. As a manager yourself, how has work from home just impacted how you think about the culture of your organization within your work, and also just in terms of building relationships with your employees and your team, and also further developing that talent?

Chris [00:08:19] Yeah, that's a great question. There's certainly been some pluses and minuses stepping back and reflecting on the past, let's say, six or seven months. I think initially, we were all pretty impressed and inspired, really, by how productive our team was in transitioning to fully remote structures. I think what has emerged as time has passed and we've tried to balance home demands and work demands is whether we actually are now overly efficient and overworking. So that's one issue that has arisen.

Chris [00:08:49] I'd say the other—and you touched on it—is the challenges around replicating kind of informal interaction, and that gets to culture building and sort of the social element of being in the workplace, which is really important. We've grappled a bit

with the question about can we, over the long term, generate the same level of creativity and innovation in a remote way over a Zoom call, for example, that we could in person.

Chris [00:09:11] And so one of the things that has been more immediate is, as we brought on new employees and hiring new employees, how do we assimilate them into our organization and impart the key norms and cultural attributes that we believe we have in an environment where we're actually not together on a regular basis. So, I think there are a lot of great things that come out of working from home, but at the same time, new issues are arising.

Alex [00:09:34] Yeah, and I think to your point, as a professional as well as a manager, it's just interesting to think about one, how do you recreate serendipity in the workplace when you're not with people? How do you recreate creativity or creative moments when you're not with people? And also, how do you onboard people in a fully remote environment where you don't get to, say, sit with people at an onboarding lunch in the office?

Alex [00:09:58] And I think it's equally as fascinating to think about that as a manager, but also to think about that as an investor and think about, OK, what are potentially new products on the market that are allowing remote onboarding to be more seamless? Or what are new products in the market that are enabling creativity or serendipity in a fully distributed way? So I think that's fascinating to think about.

Chris [00:10:19] Yeah, that's exactly right. And out of every solution is formed new problems, and I think we've seen that through the arc of innovation over the course of time. And that's really what we're trying to peer around the corner and say, boy, if this turns out to be a big market opportunity for somebody, how do we think ahead and try to get ahead of that trend?

Alex [00:10:36] For sure. Chris, one last question for you. I ask this to every guest, which is, let's put ourselves in the shoes of a 21-year-old Alex Lieberman. Not a 27-year-old—a 21-year-old. So Alex has just graduated from college, moved to New York City to work in financial services. I would say he is proficient around financial markets and personal finance, but not fluent. And he is just trying to figure out basically how to navigate this ever-evolving world. If you were Alex, what are some very specific or tactical pieces of advice that you'd give him?

Chris [00:11:09] So the main things I would tell Alex is start saving and investing early, and stay involved in the market while taking a long-term view. Because I think the biggest asset and advantage you have is time, and taking advantage of that time and the compounding of returns is going to be your biggest advantage given where you are in life.

Chris [00:11:27] And I totally get that there's a ton of things to be nervous about. There's a lot of uncertainty in the world. But one of our legendary investors and portfolio managers, named Peter Lynch—he's a Hall of Famer, if you will, in the industry—has a great saying. He says more money has been lost waiting for a market crash than the crash itself. And I think that's something that I really emphasize with all young investors. It's the importance of staying involved that ends up driving really positive outcomes down the line.

Alex [00:11:57] Yeah, for sure. And I think to your point about just time, I think gaining an appreciation for the scarcity of time and thus the importance of understanding how to squeeze as much value out of the time you do have is just like, such an incredibly important concept. So that definitely resonates with me.

Chris [00:12:15] Absolutely.

Alex [00:12:16] Well, Chris Lee, thank you so much for the time and the insights. Really appreciate it.

Chris [00:12:21] Great. Thank you for having me, Alex.

Alex [00:12:23] So much good stuff from my conversation with Chris. This is the exact type of nuance we all need to use as we think about our portfolios.

Alex [00:12:38] But what I actually think was most impactful in what he said was how work has changed for him as a manager and the impact it's had on his team. By simply being self-reflective of the way in which work has changed for us all, and what has helped to power the transition from in-person to remote, especially in the world of creating serendipity and onboarding new hires, I think we can all find a great starting point for forming investment theses around the future of work.

Alex [00:13:07] Thanks, everyone, for tuning in to Fresh Invest. Check out [Fidelity.com/FreshInvest](https://www.fidelity.com/FreshInvest) for more information and resources. And be sure to join me next week. Take it easy.

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Morgan [00:15:15] See you next time.