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Andy Budden
investment director,
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Global investing from a New Perspective

While Australia has traditionally held a strong home bias when it comes to investing in shares, in recent years people have begun to heed the advice of asset allocation experts and have materially increased their off-shore exposure. For investors looking to reposition their portfolios to take advantage of growth outside Australia, managed funds provide instant diversification and access to experienced professional investors with the knowledge of where best to put funds to work.

It is often said by equity managers with a mandate to scour the entire globe for investment ideas that getting the geographic allocation right in any given year is the most important driver of returns.

That's one reason why the Capital Group New Perspective strategy, as the name suggests, takes a different view in its bid to outperform the market. The philosophy behind the strategy is that there is a special group of multi-national companies that have the potential to offer superior investment results.

Go anywhere approach

The strategy is not constrained by any benchmark and can invest in any market and any type of multi-national company.

As Capital Group's Singapore-based investment director Andy Budden⁰¹ explains, some of these companies are early stage multi-nationals which are in the process of taking an exciting product or service from a domestic market place to a much bigger global market place. And some of them are more established global companies which have really high-quality business models, with good barriers of protection around their businesses either via strong distribution networks or superior intellectual property.

"The strategy offers the chance to have a portfolio of high quality companies that deliver really good investment returns in strong markets because of the underlying growth of many of the companies we're investing in, but at the same time they also offer superior investment returns during weaker markets because of the quality bias that we have in the portfolio," Budden says

Another factor which differentiates this strategy from others on the market is that it doesn't invest in the old fashioned way of buying a company based on where it's domiciled. Instead it thinks about where the company really does its business and what its true underlying exposures are. Capital Group has dubbed the philosophy The New Geography of InvestingSM and it's central to decision making.

Unique investment structure

Capital Group was one of the first US-based firms to invest globally in 1953 and now manages more than \$300 billion in global equity mandates. The Capital Group New Perspective strategy has been up and running for more than 43 years and has generated four times more wealth than its benchmark in Australian dollar terms over the period.

"There have been a few really important ingredients that contributed to the success of the strategy," Budden says. "The first one is the investment universe of high quality multi-national companies that offer a combination of superior growth but also very solid returns in weaker markets. The second ingredient is the multiple portfolio manager system that we use – we call it The Capital SystemSM."

The Capital System divides the portfolio into a series of separate sleeves, putting a different portfolio manager with complete accountability in charge of each sleeve. This team is constructed so that the portfolio managers have complementary but contrasting investment approaches that could potentially lead to strong, sustainable, long-term investment results. The idea is to provide all the benefits of individual decision making without the key-person risk that comes with it.

"We have a very strong belief that the best investment decisions are made by individuals who build their own high conviction portfolios and have complete accountability for the investment results of those portfolios," Budden says. "The problem with the key-person or star-manager approach is that an individual's style can go out of favour or they can have a bad year or the individual might even leave the firm."

Deep level of research

The team of portfolio managers is deliberately designed to have different investment approaches and styles. They also came from various nationalities, different geographic locations and are of different ages.



The quote

We want to inject as much diversity as we can into the team.

"We want to inject as much diversity as we can into the team," Budden continues. "One thing that the team does have in common is that they are all extremely experienced. The New Perspective portfolio managers' average experience is 27 years and most of that has been developed whilst at the Capital Group, so it's a very stable team."

The engine room for the investment ideas is Capital Group's large and well-resourced team of investment analysts. Aside from being highly experienced they're also closely networked, which means they can get access to the research and thinking of other team members from all over the globe. Their responsibility is to identify the best investment ideas they can get into client portfolios. However, the bulk of the portfolio is managed by the portfolio managers and they look carefully at the ideas that are generated by the research analysts and choose the ones that they have the highest conviction in to include in their portfolios.

"On the one hand we've got the research analysts with tremendously deep knowledge in particular industries. Then we have the portfolio managers who are very experienced and have a much broader perspective than the research analysts," Budden explains. "We find that combination to be very effective."

An example of one of the strategy's highest conviction ideas right now is Danish pharmaceutical company Novo Nordisk. It's a world leader in producing insulin for diabetes, a disease which is associated most predominantly with developed markets where the population has greater individual wealth and therefore access to rich, fatty diets.

"We're very excited about the business they have in the US but also the tremendous growth potential they have in China," Budden says. **FS**



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