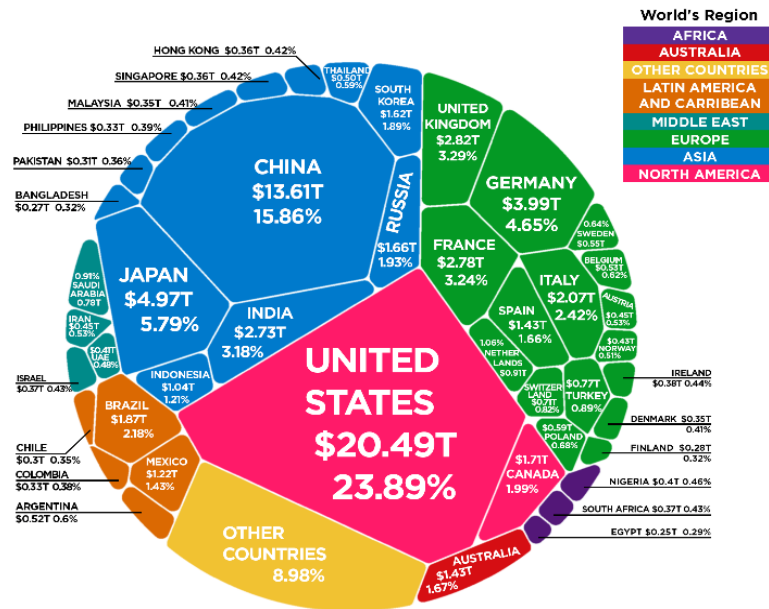


**“Great is the power of steady misrepresentation.”**

- Charles Darwin

# The World Economy

## Gross Domestic Product (GDP) by Country 2018



Source: [Databankworldbank.org](http://Databankworldbank.org)

Recently, one of our colleagues attended an investment forum in Boston hosted by one of the world's largest institutional investment advisors. One consistent trend over the past decade for institutional investors has been diversifying their equity exposure away from single market (often domestic) to a global allocation. With a more flexible approach, they point to higher performance potential from number of factors:

- *Breadth of opportunities.* With more stocks, there should be increased opportunity.
- *Globalization.* As the quote above notes, there is an ability to find mispricing opportunities across regions.
- Different regions may be performing better than others.

One main theme from the forum was the opportunity that frictions in the global world order are presenting to active managers. This large advisor is a fan of active management in part because of active management's ability to get ahead of changes in markets. While the chart above shows the current complexion of global

economic production, the contribution to growth is set to change over the next several decades, with economies, such as the U.K., falling in importance, while countries, such as India, increasing.



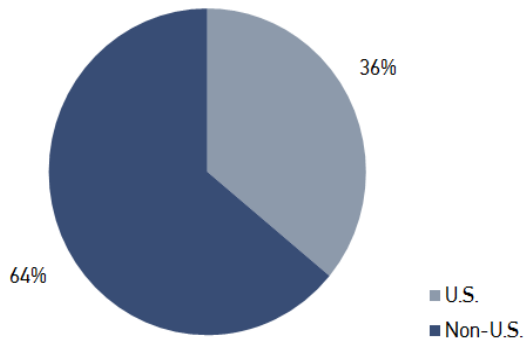
Source: HSBC Global Research

When assessing the investment process for investment managers, this advisor looks for cognitive diversity, where they believe the secret sauce exists to outperform. By soliciting diverse views to assess complex problems, they believe better decisions can be made by trying to avoid “group think.” This month, our



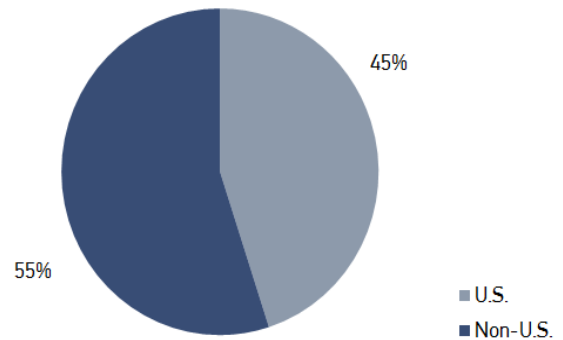
## Global Leaders Strategy Geographic Exposure

Geographic Allocation – Revenues



Source: Bloomberg, position weighted equity holdings as of 09.30.2019.

Geographic Allocation – Domicile



Source: FactSet, equity holdings as of 09.30.2019.

equity research teams across offices worked together on a China investment recommendation by assessing valuation, governance issues, and market opportunity. On a stock specific basis, we believe it is important to take a different view than the crowd to generate performance.

On a portfolio basis, we take a similar tack. While many managers look at their portfolios based on where the stock holdings are headquartered, we dig deeper to find out from what regions revenues are actually generated, as is the case with the Global Leaders strategy shown above. As multinational companies derive more of their revenue from outside their home country, it is misleading to ascribe a company's exposure to the

country where it is headquartered. For example, one holding is the consumer credit company, Experian, that is headquartered in Ireland, but less than 20% of its revenues come from Ireland or the United Kingdom. By working as a team with diverse views, we believe we can make more informed decisions for the benefit of clients.

As always thank you for your interest and trust managing your investments.

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