FLASH NOTE

26.10.2021

We have four disruptive trends on our radar that will shape the coming years

Published
October 26, 2021

Length
5 minute(s) read

Which companies, products or concepts have the potential to transform an entire business sector to the point of radically changing how it operates and creating new leaders? Which companies' ability to steer, facilitate or adapt to the changes sweeping through their industry will allow them to generate lasting growth?

On the stock market, long-term investors could soon be clamouring to invest in these companies, especially at a time when new sources of uncertainty are emerging, given that the global recovery could slow next year compared with 2021 and the trajectories of the various regions could diverge.

“Right now, investors are essentially looking at short-term prospects and rushing to buy cyclical stocks[1] or companies deemed to have a low stock market valuation,” notes David Older, Head of Equities at Carmignac. “Conversely, they’re overlooking what are referred to as visible growth stocks[2]. And yet, we think that market disruption – whether as a result of technological innovation, a new product or service, or new consumer expectations – may favour the shares of companies able to make the most of the change.”

Here are the four disruptive trends being monitored by theCarmignac Investissement fund, managed by David Older, whose objective is to identify the most promising trends and the companies with the potential to secure long-term growth regardless of economic conditions:

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1) The “new consumer”

In recent years, consumer behaviour has changed profoundly. The increasing digitisation of the economy, and people’s habits, have opened up new ways for consumers to spend their money, shop, make payments and even have fun. In fact, according to Statista[3], the German company that compiles statistics on consumer spending, rising internet use around the world has seen online sales figures go statistics on consumer spending, rising internet use around the world has seen online sales figures go from USD 1.336 trillion in 2014 to USD 4.280 trillion in 2020. They could pass the USD 6 trillion mark in 2024.

As a result, it is now possible to access almost any service via an app on your smartphone. Although the pandemic has sent stock market prices soaring for companies linked to this investment theme, it remains just as relevant as ever for several reasons. Firstly, not everyone is an online consumer yet, so the companies involved still have scope to progress. Secondly, given that these companies have spent years focusing almost exclusively on securing very strong growth in their business activities, the time for them to improve their margins could be fast approaching. Lastly, the monetisation of the entire ecosystem (i.e. the ability to secure financial gains) could also increase, as digitisation is expected to continue to infiltrate every aspect of our daily lives, from education to the user experience, healthcare and more.

It is interesting to note that digitisation has not only revolutionised how we consume, but also heightened the customer's need for authenticity and experiences, including in stores. This is coupled with a desire on the part of certain consumers to buy themselves exceptional goods or services that are inherently unique and not widely accessible.

2) The digital economy

According to Microsoft CEO Satya Nadella[4], tech spend as a percentage of GDP is projected to double over the next decade.

Remote working grew significantly during the health crisis, increasing the need for digital infrastructure. In particular, companies with their basis in the cloud (a business sector encompassing all remote storage solutions) now undoubtedly offers some of the technology sector's strongest growth prospects. The research and advisory firm Gartner[5] predict that public cloud spending will account for 45% of all enterprise IT spending in 2026 versus less than 17% this year.

Big data is another growth area given that the digitisation of the economy has vastly expanded the quantity of data available in almost every business sector. Everything from our personal data, to our interests, to how long we spend on a given website is now a datapoint that can be exploited. In every minute of 2019, according to figures compiled by Lori Lewis and Officially Chad[6], around 200 million emails were sent worldwide, there were 4 million Google searches, and 4.5 million videos were viewed online. A wide array of sectors stand to benefit from this trend: data storage and protection, ecommerce, targeted advertising, and even platforms that improve the user experience by adapting content to each individual's profile and tastes.

3) Climate change

Climate change is a major cause for concern for populations around the world, and it is expected to become a key component of decision-making for consumers, businesses, and governments in the coming years.

In this area, we are especially interested in two investment themes: the energy transition and electric vehicles. Whereas renewable energy currently accounts for 22% of the world's power generation, this figure is set to at least triple by 2040, according to a report published in 2018 by Bloomberg[7]. And according to the International Energy Agency[8] (IEA), the number of electric vehicles on the roads should reach at least 145 million units by the end of the decade, compared with just over 11 million in 2020, which equates to an average growth rate of around 30% per year. This final theme is benefits from factors such as stricter regulation of CO2 emissions, as well as the emergence of more attractive products.

4) The future of healthcare

Technology has a huge footprint in the healthcare sector, whether in the form of robotic surgery, gene therapy, or even virtual reality.

Moreover, the pandemic has served as a stark reminder of just how important healthcare is for the world economy. Companies that are able to effectively respond to the two major challenges of the world's ageing population, and the expected rise in chronic diseases, could be highly sought-after on the stock market.

By 2050, one in six people worldwide will be over 65 years of age, rising to one in four people in Europe and North America, according to a study by the United Nations[9]. As for chronic diseases[10], also known as noncommunicable diseases, the number of people affected is set to rise. And yet, according to figures from the World Health Organization[11], NCDs are already the world's leading cause of death and responsible for 41 million fatalities per year.

The Chinese healthcare market is experiencing rapid growth and this trend is projected to continue since healthcare spending represents around 6% of Chinese GDP versus 11% of GDP in France, and 18% in the United States. Furthermore, the country, where the proportion of the population with health insurance has risen from 3% in 2000 to 95% today, continues to invest heavily in the healthcare sector.

[1]Companies that manufacture or sell goods or services that are in demand when the economy is prospering, such as those in the automotive, travel and construction sectors

[2]Companies whose business activities are expected to experience strong growth and/or offering excellent visibility as regards results

[3]Statista, global e-commerce: statistics and facts, 2021

[4]Microsoft Fiscal Year 2020 Second Quarter Earnings Conference Call

[5]Gartner August 2021, “Four trends are shaping the future of the public cloud”

[6]This is what happens in an internet minute in 2019

[7]Bloomberg New Energy Finance New Energy outlook, June 2018

[8]IEA, Prospects for electric vehicle deployment 2021

[9]World Population Prospects: the 2019 Revision, United Nations

[10]Cardiovascular diseases (mainly cardiopathy and strokes); cancer; chronic respiratory diseases; diabetes; other conditions such as mental health conditions, loss of vision and hearing, oral conditions, osteoarticular pathologies and genetic diseases

[11]WHO 2018, noncommunicable diseases

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The Fund presents a risk of loss of capital.