

Fund Manager's Diary

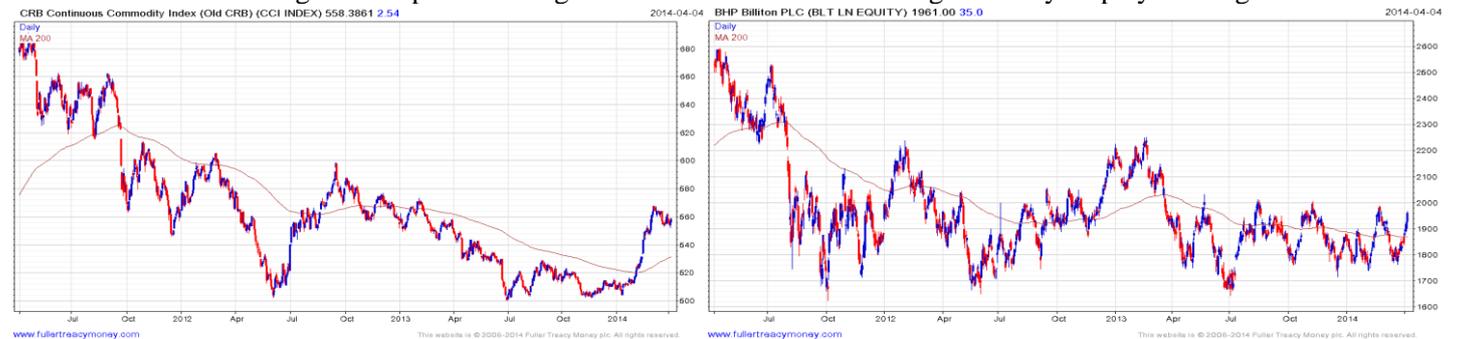
Iain Little 31 March to 4 April, 2014

Leaders and Sex (*bet you read this one*)

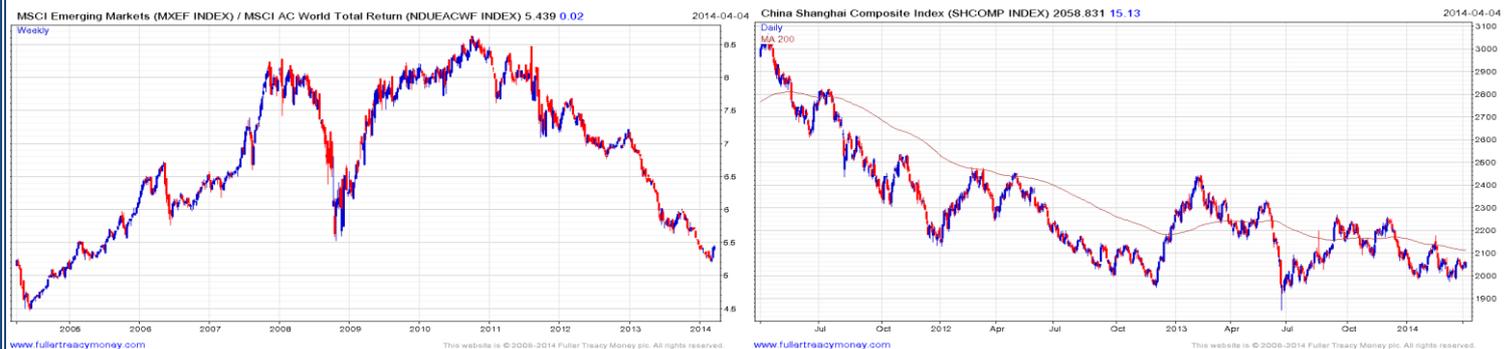
“Leaders lead both ways”, says FT Money’s David Fuller. That’s why Friday’s -3% move in the US Nasdaq tech index is pause for both thought and markets. David feels it could herald a 10%+ correction in major stock markets, and David has history on his side. The Nasdaq tech index has been the cheerleader for the rise, and will also sound its last post. Eagle-eyes might have spotted that the “leader of the leaders” -the US Biotech index- has in fact been correcting for over a month.



We found some **Google** and **Microsoft** shares in client portfolios, but technology companies, like banks, are as rare as hens’ teeth here. What sectors might take up the running? There has been base-building in late cycle plays like agriculture and miners.



But for our portfolios, emerging markets are a key ingredient. The 3 year under-performance of the world’s emerging markets, including China and India, may well be over (the LHS chart is a relative one showing emerging markets’ decline against developed world markets). On the other hand, China is a totem for this whole asset class and it needs to try a little harder.



There are many ways to think about global investing. Many talk about **countries** (“is China’s relative decline over?”). Others think of **sectors** (“is technology entering a bear market?”). We see the world as **themes** (“is the emerging middle class increasing the demand for shampoo?”). Few think in terms of **sex** (though some psychologists say men think about it every 7 seconds). Our *Developing China* theme adviser, Arisaig Partners, points out that women are changing global economics. The growth in women’s income (USD 5 trillion) in the next 5 years will exceed the GDP growth of China and India combined. Half of the world’s farmers are women, yet they own less than 2% of the land and take home only 10% of global income. Mao Zedong, the “Great Helmsman“, said that women “hold up half the sky”. How poetic therefore that thinking about women’s purchases –cosmetics, soap, chocolate, apparel- conjures up those stocks –**Unilever, P&G, Nestlé** etc- that are rightly called “Global Autonomies”. Indeed, The Hand That Rocks The Cradle Rules The World.

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