

MARKET SIGHT LINES



An Update – From Vision to Value: Our Long-Term Investment Themes

By Michael O'Keefe, *Chief Investment Officer*



Over recent weeks, we've discussed [Federal Reserve \(Fed\) rate cuts](#) and [global risks](#), both somewhat shorter-term topics. As investors, though, it is important to also be focused on the long term. We see rapid change happening in our world, which can be dramatic at times, but is even better understood when looking over longer periods of time. We recently published an update to our [long-term investment themes](#).

In this Sight|Lines, we summarize our long-term themes and share some examples of how these themes are presenting value-creation opportunities and may influence our investment decisions.

THE TAKEAWAY: DEFINING INVESTMENT THEMES IS HELPFUL FOR LONG-TERM INVESTING

Our major investment themes are five interrelated megatrends that are likely to influence the direction of the economy and markets longer term. These themes will shape the way we live, interact with each other, and consume goods and services. In summary:

- *The Fourth Industrial Revolution*: Technological innovation has broken down the boundaries between the physical, digital, and biological worlds.
- *Securing Strategic Resources*: Companies and governments are prioritizing the development and protection of critical industries, resources, and services.
- *Shifting Demographics*: Changes in global population dynamics will bring about challenges and opportunities.
- *The New Consumer*: Consumer preferences, expectations, and behavior are altering business models and corporate strategies.
- *Productive Competition*: Rivalry ultimately drives innovation, improves quality of life, and creates value for consumers and the economy.

IN-DEPTH: THE PROCESS OF DEFINING INVESTMENT THEMES IS HELPFUL WHEN TRYING TO UNDERSTAND, AND INVEST IN, LONG-TERM TRENDS

Most of our clients are long-term investors. When trying to make sense of how the world changes over longer periods of time, we have found it quite helpful to define long-term investment themes to do so. Going deeper:

- *The Fourth Industrial Revolution*: Technological innovation has broken down the boundaries between the physical, digital, and biological worlds.
 - Artificial intelligence remains an anchor to our long-term themes.
 - Future advances like quantum computing should make AI even more effective.
 - We're seeing improvements in areas like healthcare, aerospace, and farming through AI.
- *Securing Strategic Resources*: Companies and governments are prioritizing the development and protection of critical industries, resources, and services.
 - More nuclear power will be coming online to help satisfy the increased energy demands for data centers supporting artificial intelligence.
 - Fifty raw materials are critical for the digital economy, with the supply for many limited.
- *Shifting Demographics*: Changes in global population dynamics will bring about challenges and opportunities.
 - Millennials have surpassed baby boomers as the largest generation and are entering their prime household formation years.
 - Americans are living longer, with an estimate that the number of centenarians will quadruple over the next 30 years.
- *The New Consumer*: Consumer preferences, expectations, and behavior are altering business models and corporate strategies.
 - Contactless shopping will mean walking into a store, grabbing your goods, and leaving, with systems figuring out who you are and charging you, furthering the trend to a cashless society.
 - Drone delivery will reduce order fulfillment times even more.
- *Productive Competition*: Rivalry ultimately drives innovation, improves quality of life, and creates value for consumers and the economy.
 - We've introduced "Space Race" to our long-term themes, with other nations joining NASA and the European Space Agency (ESA) in pursuit of space, even as more public and private companies are launching satellites and pursuing longer missions.

CONCLUSION

Over recent weeks, we've discussed some shorter-term topics, but as investors, it is also important to focus on the long term. Our rapidly changing world, which can be dramatic at times, can be even better understood when looking over longer periods of time by defining, and investing in, [long-term investment themes](#).

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