



AN OVERWHELMING NEED FOR RESILIENCE

INTERVIEW



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After 30 years of «happy» globalisation, the world is a changed place post-pandemic, hit by geopolitical risk and plagued by daily cyber-attacks, with citizens seeking protection. The stock market outlook is particularly attractive for companies exposed to the security theme, which offer investors and the general public the resilience they so desperately need.

THE END OF THE ENCHANTED INTERLUDE

From the 1980s to the early 2020s, the world experienced what some might call an enchanted interlude. This cycle of some forty years saw the retreat of the great ideologies, the lowering of customs barriers, geopolitical warming and the acceleration of globalisation. In the West, we witnessed the rise of economic liberalism, the fall of the Berlin Wall and China's entry into the WTO. Today, that period of détente seems a long way off. It goes without saying that the global environment has deteriorated. The rise of populism, the resurgence of politics, and geopolitical risk have all taken root in our environment. This change will have major economic consequences, which is why it needs to be taken into account in the positioning of all investment strategies. Just as the cycle that began in the 1980s proved beneficial to companies that embodied happy globalisation (export industries, the fashion and luxury goods sectors, technology, leisure, etc.), the coming cycle will enable certain companies with very different profiles to outperform over the long term.

A NEW TYPE OF COMPANY FOR SUSTAINABLE PERFORMANCE

A number of trends already stand out as highly favourable. These include the rise in military spending and cybersecurity solutions. These two dimensions reflect the sustained rise in geopolitical risk and the inexorable growth in the need for investment. Looking at NATO alone, underinvestment in military equipment has reached \$1.4 trillion over 30 years, compared with what was provided for in the organisation's founding charter. Similarly, the physical protection of individuals will benefit from sustained tailwinds. The same applies to demand for preventive healthcare solutions, namely equipment that can be used to deal with emergencies or sudden stress situations: vaccine production, molecular diagnostic equipment, etc.

THE CURRENT COMPOSITION OF FINANCIAL INDICES EMBODIES 30 YEARS OF “HAPPY” GLOBALIZATION.

A common denominator among companies that will perform well will be their resilience, i.e. their ability to decide their own destiny irrespective of political, geopolitical and economic upheavals. Typically, these will be companies with a high level of vertical integration that are not overly dependent on imported components and generate a significant proportion of their sales in their home market. Their robustness will also depend on their proven financial strength, reflected in a low level of debt.

The current composition of financial indices reflects 30 years of «happy» globalisation, with a preponderance of exporting companies active in services and technology at the top of the rankings. Conversely, the weight of purely industrial companies has declined over the past 20 years under the yoke of competition from Asian countries. Resilient companies, on the other hand, have a relatively

small presence in the top 100, which is why we believe their stock market prospects are particularly attractive. They are currently «under the radar» and relatively under-owned. Their ability to navigate the geopolitical context that is taking shape today will make them tomorrow's winners. There is still time to get in on the action!

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