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GLOBAL PERSPECTIVES

LEARNING FROM THE PAST, LOOKING TO THE FUTURE

ASHBURTON INVESTMENTS

A part of the FirstRand Group

In this issue

New year. New risks. New possibilities

SIZWE NXEDLANA
Chief Executive Officer
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Weighed down by 2020's COVID-19 hangover, will 2021 offer a whimper or a bang?

Quietly, as the world's attention was absorbed by ruckuses and rumblings over the United States' (US) election outcome and the rising number of coronavirus (COVID-19) cases around the world, the button was finally pushed on Brexit. After years of debate and conjecture, this messy divorce finally came to bear, overshadowed by news of effective vaccines on the horizon.

Similarly, despite the outrage over the US Capitol riots in January and the subsequent impeachment of Donald Trump by the US House of Representatives, the billionaire-turned-president's tenure at the White House also drew to a close.

Now, with the reset button pushed in two key global economies, some risks have subsided while others are just beginning. This, quite frankly, seems to be the early and emerging theme of 2021: a fresh slate in some respects but one still bearing the deep hallmarks of an unprecedented 2020.

It is right and fitting, therefore, that we use our first edition of Global Perspectives for the year to look back for insights as we boldly continue to look forward.

I'm delighted to include in this edition a fascinating piece examining a century of global

"For investors, the year to come offers a mixed bag of central bank stimulus, low interest rates, flat or slow-to-rise yields and accelerating inflation."

leaders, as we map the rise and fall of giants such as General Electric, Kodak and Chrysler and note the rise of Apple, Amazon, Facebook, Alphabet and Microsoft. Compiled by our Chief Investment Officer, Patrice Rassou, and Ashburton Investments' Head of Quantitative Research and Data Science, Mathew John, this exploration underlines the tenuous dominance of so many world-class companies over time. It also highlights the need for constant research and insight into evolving opportunities and markets, to ensure that your investment portfolio and outlook keeps pace with global shifts.

With this in mind, we take a closer look at the global macro environment, with a particular eye on the positioning of the United Kingdom (UK) and South African markets in the context of a world facing a contraction in economic activity as a result of the ongoing pandemic.

While South Africa continues to face both deep structural and COVID-related challenges, the country also finds itself in a more favourable position than it was a few months ago. All eyes will be on the budget in February and the government's commitment to containing the wage bill. Also, some positive regulatory changes are in the pipeline, explains Nico Els, our Multi-Asset Strategist.

Dr James Cooke, Ashburton Investments' Head of Global Equities, also takes a closer examination of the new-look UK in his piece, which highlights the country's advantageous position in terms of vaccinations given the advance purchases of several vaccines and the swift roll-out of a national immunisation strategy.

Like much of the developed world, monetary support is likely to continue to support the UK economy in 2021, largely in the form of quantitative easing and ultra-low interest rates.

The developments in the US will continue to impact global markets over the year as well as those in the European Union and, of course, China.

For investors, the year to come offers a mixed bag of central bank stimulus, low interest rates, flat or slow-to-rise yields and accelerating inflation. Yes, there are new and emerging risks, but also new opportunities and some attractive entry points into emerging markets. Overall, to quote Jarred Sullivan, Global Multi-Asset Investment Strategist, we remain "cautiously optimistic".

And, with that, we open the door to 2021.

Sizwe

JARRED SULLIVAN
Global Multi-Asset
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The year ahead

THE QUICK TAKE

The S&P 500 registered a low of 2 237.4 on 23 March 2020 and ended off the year on a record high of 3 756.1 – a 67.9% gain from trough to peak

According to the latest Bloomberg polls, the US and China are expected to increase investment by 7.5% and 7.4% in 2021 respectively.

Both the EU and UK are expected to have a much better year due to particularly weak 2020 growth outcomes.

We believe that the US dollar will depreciate as risk appetite increases, allowing for attractive entry point into emerging markets.

Now we've wrapped up an unusual 2020, what does 2021 have in store for investors and global markets?

Reflecting on the year that was, markets and economic data went from one extreme to the other. The S&P 500 registered a low of 2 237.4 on 23 March 2020 and ended off the year on a record high of 3 756.1 – a 67.9% gain from trough to peak and a 70.2% increase on a total return basis. Heading into the new year, we are cautiously constructive on the outlook for broader equity markets, despite valuations appearing to be somewhat stretched.

The unwinding of precautionary savings and relatively contained household indebtedness in many economies will likely be the catalyst for both earnings and economic growth this year. In fact, according to latest data from the Bureau of Economic Analysis, United States (US) personal savings rates as a proportion of disposable income most recently came in at 12.9% at the end of November 2020. While consumers have been drawing down on their savings more recently, the latest reading out of the US is still well above the 7.2% recorded at the end of 2019 (prior to the implementation of lockdown measures). High savings rates have been a relatively ubiquitous theme in many large economies around the world. Accordingly, we expect these high savings rates to unwind and support consumption expenditure in the new year as the vaccine roll out discourages a further build-up in precautionary savings.

MONETARY SUPPORT WILL LIKELY CONTINUE

Monetary policy is also expected to be relatively accommodative in the first quarter of the new year. In fact, the US Federal Reserve recently opted to increase its quantitative easing programme by raising purchases of Treasuries by US$80 billion per month and agency mortgage-backed securities by US$40 billion until significant headway is made in reducing unemployment and bringing inflation closer to the 2% target.

The Bank of England, the European Central Bank and the Bank of Japan, among others, have already acted in a similar fashion. The unprecedented low cost of borrowing artificially created by global central banks, combined with the resumption and/or initiation of investment plans in a post COVID-19 world, will likely provide auxiliary support to overall growth prospects.

According to the latest Bloomberg polls, the US and China - the world's two largest economies - are expected to increase investment by 7.5% and 7.4% in 2021 respectively[1]. These projections more than offset last year's investment outcome, currently estimated to be -6% and 3% for each economy.

Conversely, however, the fiscal impulse from many economies around the world is unlikely to be as supportive heading into 2021. Unprecedented support was likely front-loaded to cushion the blow for many labour market participants and businesses last year. However, in the US, the Democratic Party has gained control of both the Senate and the House; hence fiscal stimulus is still expected to be largely accommodative under the Biden administration.

AN EYE TO THE UK

It is worth noting that negotiations around the outcome of Brexit and the resultant impact on the United Kingdom (UK) economy finally came to a close at the end of last year. While free trade of goods remains intact between the UK and the European Union (EU), there will be some restrictions on services. Similarly, new rules will be applied to the movement of labour in each respective region. While this compromised deal will almost certainly lower potential growth rates in both regions, it does provide us with a more transparent, and likely less volatile platform to invest, based on our fundamental analyses.

Despite the inauguration of certain restrictions between the EU and UK, both regions are expected to have a much better year due to particularly weak 2020 growth outcomes (currently estimated at -7.4% and -11.3% respectively according to Bloomberg polls) and as lockdown restrictions are eased. The speed of the recovery will almost certainly be dependent on the swiftness of the latter.

> "We remain constructive on emerging markets amid potential high growth rates in corporate earnings and inverse correlation with the US dollar."

DEVELOPED VS. EMERGING MARKETS

At the time of writing, we remain constructive on emerging markets amid potentially high growth rates in corporate earnings and an inverse correlation with the US dollar. We continue to believe that the US dollar will depreciate as risk appetite increases, allowing for an attractive entry point into emerging markets. Relatively robust high-frequency data and contained COVID-19 cases in Asia also bolster our investment thesis at this point.

From a fixed income perspective, we believe that yield curves in many developed economies will likely remain flat or gradually rise, thereby diminishing the capital gain return in bonds as economic growth and inflation accelerate; hence our underweight position at this stage. We do, however, believe that many central banks will continue to intervene in the bond market and suppress the pace of yield curve steepening in many of these developed economies.

Overall, we assess the risks to our cautiously optimistic view as roughly balanced. A delay in the roll out of the vaccine, renewed lockdown measures, inefficient capital allocation and slack in the labour market are among some of the key risks to our outlook at this stage. Nevertheless, we look forward to the year ahead and will continue to emplpy our best efforts to preserve the invested capital in the Ashburton Investments fund range while producing above benchmark returns.

[1] US investment refers to private investment. China investment refers to fixed asset investment.

NICO ELS
Multi-Asset Strategist
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South Africa: where to from here?

THE QUICK TAKE

The vaccine roll-out should boost the economic outlook for 2021, especially for the developed world.

South Africa might enter an early cycle recovery in global activity which should boost commodity exporting countries.

The South African economy to grow by 3% in 2021, while inflation should remain muted at around 3.5%.

South Africa's growth rate is currently on a path towards a fiscal cliff, and we urgently need to change direction if we are to avoid this trajectory.

What a truly unprecedented year. The 'lockdown' recession of 2020 is expected to contract global economic activity by about 4% last year, the worst decline since the Second World War. For South Africa, which entered the coronavirus (COVID-19) pandemic on an already weak footing, an 8% contraction is being projected.

That, of course, was 2020. As we embark on a new year this hangover will remain with us, but what else can we expect over the next 12 months or so?

With South Africa being such an open economy, it is important to start any assessment of the future by exploring the outlook for the global macro environment. On this score things seem to be changing for the better as certain risks are subsiding.

Firstly, although some countries are still struggling to contain rising COVID-19 cases, the announcement in late-2020 that effective vaccines were ready for production was welcome news. United States (US) biopharmaceutical firm Pfizer and Germany's BioNTech were first out of the gate with the news, announcing a vaccine with a 95% efficacy rate after

"'It is expected that we are might enter an early cycle recovery in global activity which should boost commodity exporting countries such as South Africa."

just seven months; a truly remarkable achievement. While there are still many unknowns, such as availability, storage and the logistics required to roll-out a vaccine to the world, market sentiment has already swung more positive and this should boost the economic outlook for 2021, especially for the developed world. Emerging countries are, in time, also likely to follow.

The US election outcome was, similarly, taken as a positive by markets. The narrative was that a Joe Biden win, along with a Republican senate, should still boost economic activity with further fiscal stimulus (less so than under a blue sweep). This combination would also limit the tax hikes and increased regulation which the Democrats wanted. As things transpired after the Georgia Senate run-offs in January, the Democrats took effective control of the Senate too – for the first time since 2014. The markets also responded to the widely held expectation that President Biden would also prove more diplomatic and transparent with regards to international relations.

It is, therefore, expected that we might enter an early cycle recovery in global activity which should boost commodity exporting countries such as South Africa. The US dollar, being a counter cyclical currency, is expected to weaken further against other global currencies. China, on the other hand, has recovered very well since the second quarter of 2020 and is expected to continue to grow at about 8.5% in 2021.

So, from a cyclical point of view, South Africa finds itself in a more favourable position than it was just a few months ago – despite the continued challenge of keeping new cases low and worrying fatality figures in a number of the provinces. In terms of economic activity in the third quarter, this has beaten expectations after the economy reopened following stringent lockdowns. We expect the South African economy to grow by 3% in 2021, while inflation should remain muted at around 3.5%. This should allow for interest rates to remain low by historical standards.

TIME TO APPLY CRITICAL FIXES

Against this backdrop, South Africa finds itself in a position to really take advantage and turn its focus to the structural issues facing the nation.

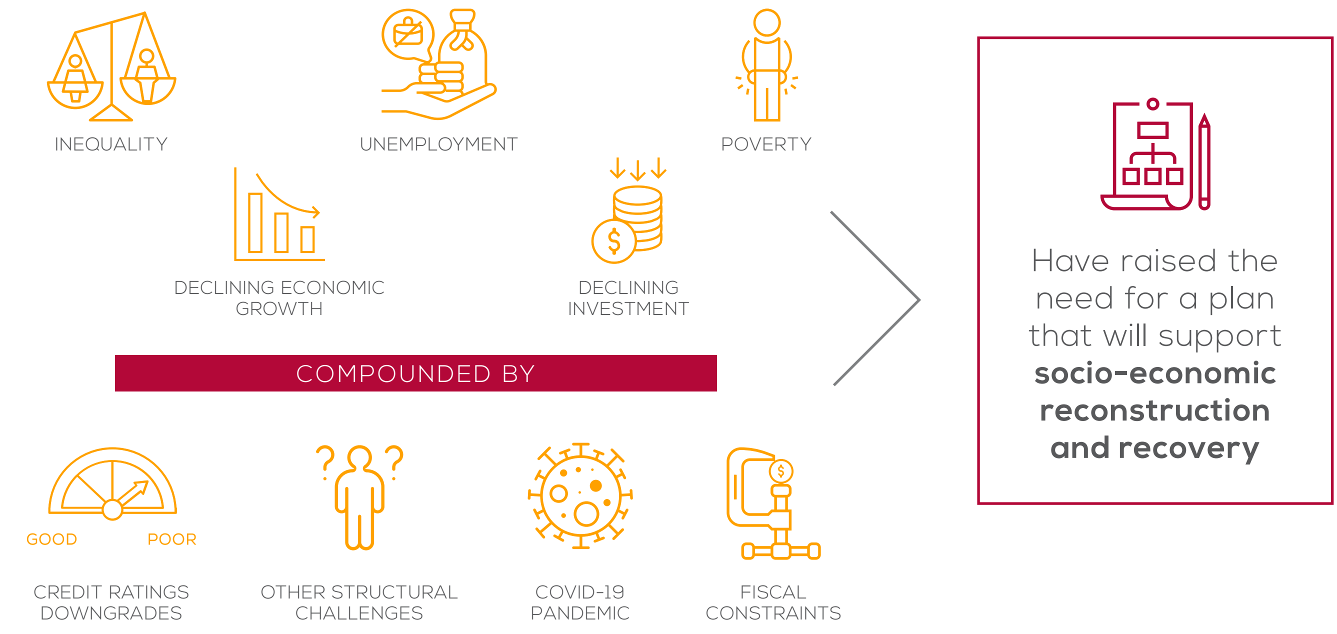
On this score, however, progress has been very slow. Although, some recent positive developments have been made, including:

- The approval, by the National Energy Regulator of South Africa, of 12 000 MW in renewable energy pipelines.
- The Independent Communications Authority of South Africa fast-tracking the roll-out of spectrum.
- Improvements within the justice system with many arrests being made by the National Prosecuting Authority, with cases being built prior to these arrests.
- The rebuilding of capacity within the South African Revenue Service.
- Following the Mining Indaba, the removal of obstacles to get regulatory approval of mining exploration.
- The release of 700 000 hectares of state-owned land for farming.

South Africa's trade balance has also been a positive surprise over the last few months, putting less strain on the country's current account deficit. These are all steps in the right direction, but much more needs to be done, and with more urgency, to increase our potential growth rate and avoid a fiscal cliff.

This is where the 2020 South African Reconstruction and Recovery Plan steps in, with its aim of reshaping the economic landscape. This plan, together with others, is a step in the right direction. But implementation will be key. And time is running out.

SA'S TOP SOCIO-ECONOMIC CHALLENGES



Source: South African Reconstruction and Recovery Plan, 2020

To understand why the situation has become critical, it is necessary to look to the October 2020 Medium-Term Budget Policy Statement (MTBPS). South Africa is currently on a path towards a fiscal cliff, and we urgently need to change direction if we are to avoid this trajectory. Rating agencies (Fitch and Moody's) have already responded by cutting the country's credit ratings even further, and Standard & Poor's will soon join them if implementation is slow or absent. Our debt-to-GDP is expected to grow to 95% within the next five years. The main budget deficit is expected to be 14.6% of GDP in 2021. These numbers will only be achieved if R300 billion of non-interest spending cuts are implemented, with much of this coming from public sector wage cuts.

Although it is right to cut wages, implementation risk remains high. No wonder South Africa's Finance Minister Tito Mboweni ended his MTBPS speech with a quote from the Bible: *"You are going to have the light just a little while longer. Walk while you have the light, before darkness overtakes you. Whoever walks in the dark does not know where they are going."*

HOW IS SA POSITIONED FOR 2021?

Despite ongoing challenges, 2021 is certainly shaping up to be a much better year for South Africa than 2020. That said, COVID-19 risks will still be around for a while before we see the roll-out of a vaccine. The government's commitment to containing the wage bill will be a key factor to watch over the next few months. Certainly, winning this battle should improve sentiment and send a clear message that the government is committed to fiscal consolidation. Implementation of structural reforms will also be monitored closely.

Within Ashburton Investments' multi-asset funds, we are currently underweight South African equities, but we are looking to reduce this on positive implementation news. We are still overweight South African bonds; our fair-value models suggest that most of the negative fiscal news is already priced. We are neutral on South African property, a sector that has been severely hit by the pandemic and forecast risk is high (both to the upside as well as downside). We are overweight offshore equities and underweight offshore bonds. We prefer Asia ex Japan within the emerging space.

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A new-look UK for the new year

THE QUICK TAKE

In 2019 UK exports to the EU totalled £294 billion (43% of all UK exports), while UK imports from the EU were £374 billion.

Direct spending to tackle the virus while supporting jobs and businesses during 2020 is expected to have cost in the region of £280 billion, 13% of GDP.

The country looks well positioned to come out of the pandemic more rapidly than other nations due to the advance purchases of several vaccines that have proved to be successful.

Brexit. Coronavirus. Tiered lockdowns. Trade relations. Regional friction. Where to from here for the UK?

The ophthalmological term '2020 vision' historically implied near perfect acuity. A global pandemic blindsided all economic forecasters' views on the year. Peering into the mist to gain clarity on the United Kingdom (UK) in 2021 poses something of a challenge, particularly while so much uncertainty persists around both the coronavirus (COVID-19) and the potential unfavourable trade relations with the European Union (EU).

So, the best place to start is by looking back.

HOW IMPORTANT IS THE UK TO THE GLOBAL ECONOMY?

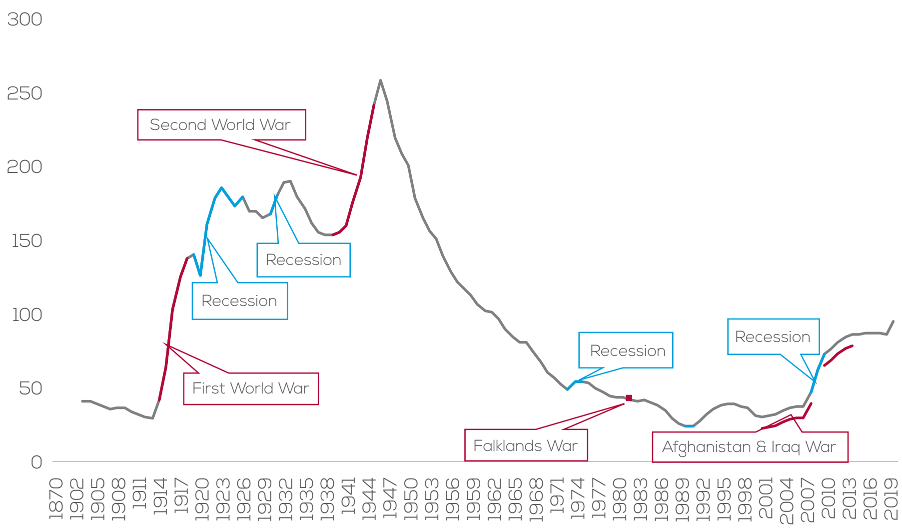
At its peak 100 years ago, the British Empire covered a quarter of the world's surface. Today the UK remains a hot-bed of innovation and culture, is home to some of the most highly prized academic establishments in the world and a well-respected legal system, the country is one of five permanent members of the United Nations Security Council and boasts a number of wonderful organisations from the National Health Service to the British Broadcasting Corporation (BBC). Indeed, the BBC is so popular globally that the diminishing importance of the UK to the global economy is easy to underappreciate.

Two world wars left the country with debt to gross domestic product (GDP) of around 270% which, along with self-determination of controlled countries such as India, ultimately saw the collapse of the empire. While still the sixth largest global economy, the UK itself has seen its relative importance fall from close to 10% of global GDP to just 3% currently. The UK's representation in global equity indices is slightly larger, at a little under 4%. This is due to the high level of corporate governance, law, lack of corruption and London's role as a major financial centre. So, still of significance though not the dominant superpower some might still believe.

THE BREXIT CURVEBALL

In a surprise to pollsters, economists, politicians and even many Brexit voters, the British public voted to leave the EU in June 2016. While the island nation formally left the EU at the end of January 2020, they entered an 11-month transition period ending on 31 December 2020. The idea was to use this period to agree a trade deal, without which the UK would be left trading with the block on World Trade Organisation terms. Thrashing out a trade deal during a global pandemic did not prove particularly easy. There were many false deadlines to agree a deal and the major sticking points included tariffs, state aid rules, fishing rights and the Irish border.

UK HISTORIC PUBLIC DEBT-TO-GDP



Source: House of Commons Library

"In comparison to other nations, the UK looks poised to deliver vaccines to the highest risk patient populations in short order."

Relationships with non-EU nations may be headline grabbing but trading with one's neighbours has tended to be more mutually beneficial than long-distance relationships. To this day, the EU remains the UK's largest trading partner. According to the House of Commons Library, in 2019 UK exports to the EU totalled £294 billion (43% of all UK exports), while UK imports from the EU were £374 billion. At an individual country level, therefore, striking a sensible deal would have seemed important to all European nations. Indeed, German Chancellor Angela Merkel's comments that a Brexit trade deal was "in the interest of all" highlighted the value of a trading partnership in which the UK accounted for 6.6% of German exports and 2.6% of GDP. A deal, though, was widely regarded as being much more vital to the UK – potentially necessitating concessions around emotive issues such as fishing rights which are economically insignificant when weighed up against maintaining London's position as the major European financial centre.

Maintaining this position has been so important that, in late-2020, UK Chancellor Rishi Sunak set out his 'Future of the City' vision. In this post-Brexit document, Sunak set out equivalence decisions for the EU and European Economic Area member states. It was hoped that this, along with London's established position, would help to defend the status quo.

A sensible deal, even considering the bounce back from the COVID-19 lockdown recession, would likely see the UK delivering modest real GDP growth.

COVID-19 AND THE VACCINE HOPE

In the near term, however, the UK will continue to deal with the fallout from the COVID-19 pandemic. The UK economy is forecast to decline more than 11% during 2020, a decline not seen since 1709. Recognising the economic impact of lockdowns, the UK began working with vaccine developers at an early stage to secure more than five potential vaccine doses per capita.

By late-2020 the positive news coming from drug makers Pfizer, Moderna and AstraZeneca suggested that COVID-19 vaccination programmes should be in full swing by the middle of 2021.

In comparison to other nations, the UK looks poised to deliver vaccines to the highest risk patient populations in short order. An unknown currently is whether any of the vaccines in trials reduce the amount of virus spread to others. News on this might enable an even more rapid end to lockdown measures.

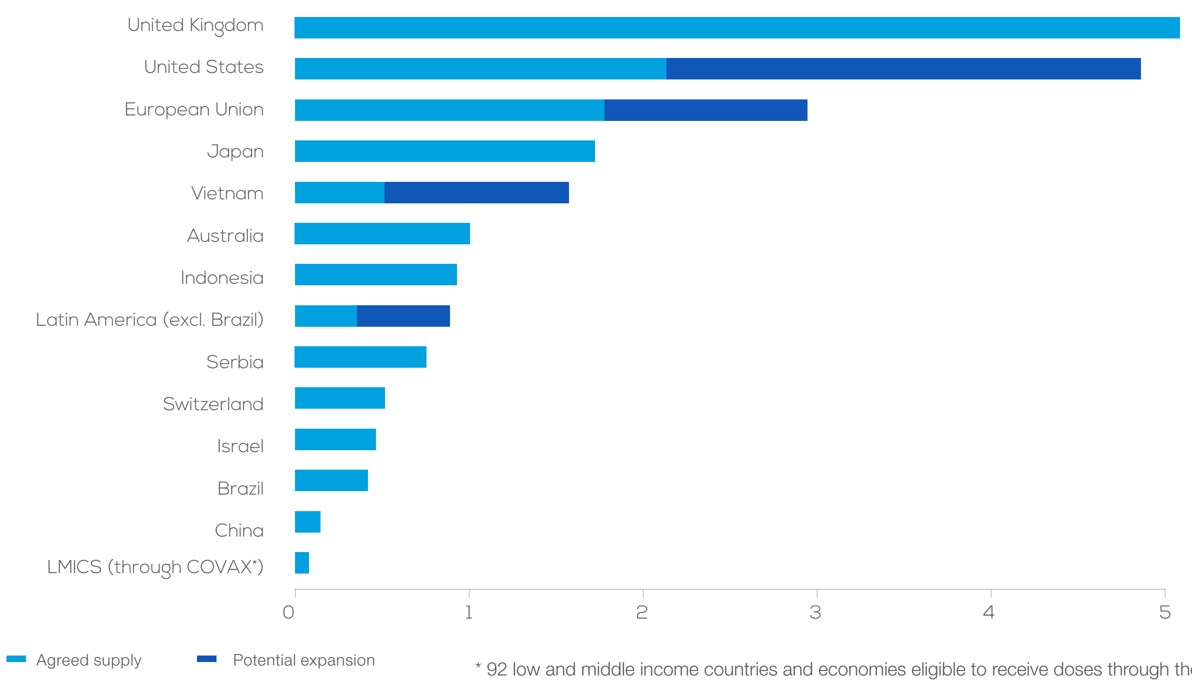
ECONOMIC SUPPORT MEASURES

Measures to support the UK economy through the COVID-19 pandemic, both from the government and the Bank of England, have been substantial and look set to continue until vaccination programmes enable lockdowns to end. Monetary support is expected to continue in the form of quantitative easing and ultra-low interest rates. A 'no deal' with the EU would probably lead to increased quantitative easing with negative interest rates likely being unpalatable.

On the fiscal front the 'furlough' scheme has been extended into March 2021. Direct spending to tackle the virus while supporting jobs and businesses during 2020 is expected to have cost in the region of £280 billion, 13% of GDP. A new infrastructure plan spending £100 billion over the next five years has also been announced. Again, should we see the UK leave the EU with no deal, this will likely lead to further expansionary spending and efforts to lift business confidence. A no deal outcome could result in concerns over the level of government debt. But with interest rates so low, especially in comparison to history, even this seems manageable.

BEST AND WORST SUPPLIED

The United Kingdom has pre-ordered enough vaccines for fives doses per person.



Source: Data from Airfinity, up to 21 August, 2020

* 92 low and middle income countries and economies eligible to receive doses through the COVAX international facility; some, such as India and Indonesia, have also ordered doses separately.

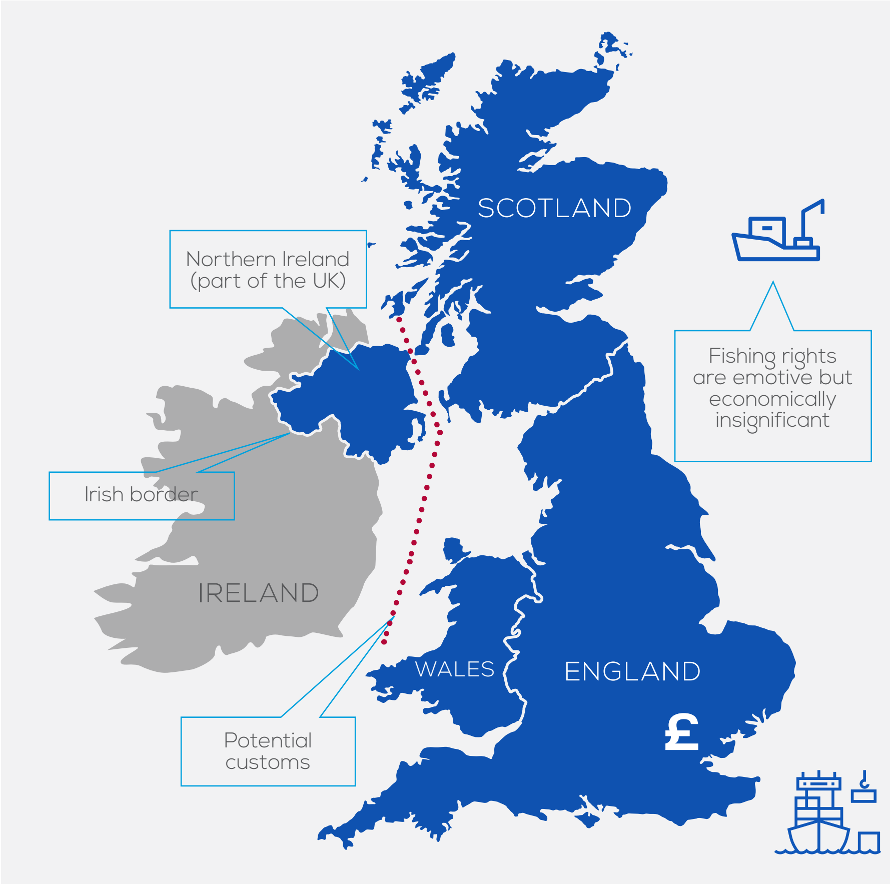
REGIONAL TENSIONS

United States President Joe Biden's first conversations with UK Prime Minister Boris Johnson stressed the need to maintain the Good Friday Agreement and hence peace on the Irish border; although trying to please all relevant parties in Northern Ireland, as well as the EU, proved a major sticking point during the EU trade negotiations. Former Prime Minister Theresa May was reliant on the support of the Democratic Unionist Party, which would likely have prevented a deal in which Northern Ireland had a different customs arrangement to the rest of the UK. Given Johnson's majority, he can now probably impose a border between the island of Ireland and the rest of the British Isles. This could ultimately lead to a break-up of the UK.

THE UK IN 2021

The UK is stepping into a year in which the country's relationship with the EU will look quite different to the situation over the past 48 years. This brings with it a level of uncertainty.

As we know of course, equity investors tend to dislike unpredictability. Investing in an uncertain environment is



uncomfortable, so UK companies can expect to be the subject of scrutiny from international investors.

However, the UK goes into 2021 with both monetary and fiscal policy on hand to provide support to the economy throughout the difficult COVID-19 lockdown winter. In addition, the country looks well positioned to come out of the pandemic more rapidly than other nations due to the advance purchases of several vaccines that have proved to be successful.

"Measures to support the UK economy through the coronavirus pandemic, both from the government and the Bank of England, have been substantial and look set to continue until vaccination programmes enable lockdowns to end."

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Mapping a century of global leaders and the domino trend ecosystem

THE QUICK TAKE

The only original Dow member recognisable today is General Electric.

It is ironic that as Kodak exited the Dow Index, Apple took its place and, armed with Kodak's patents, it has dominated digital photography with a major share of the 1.7 trillion photos taken digitally last year alone.

Currently the market cap of AAA FM (Apple, Amazon, Alphabet, Facebook, Microsoft) is equivalent to 400 of the other constituents of the S&P 500.

A century after Henry Ford and his Model T heralded the modern car industry, the stratospheric rise of Elon Musk's Tesla, the electric car pioneer, is signalling a significant turning point for that industry. A century ago, the car industry was enabled by the emergence of a number of key supporting industries such as oil, steel, aluminum, rubber and leather. It is therefore ironic that the rise of the electric car has become one of the existential threats to oil companies and that century-old car manufacturers have been left in the dust by failing to shed combustion engines fast enough.

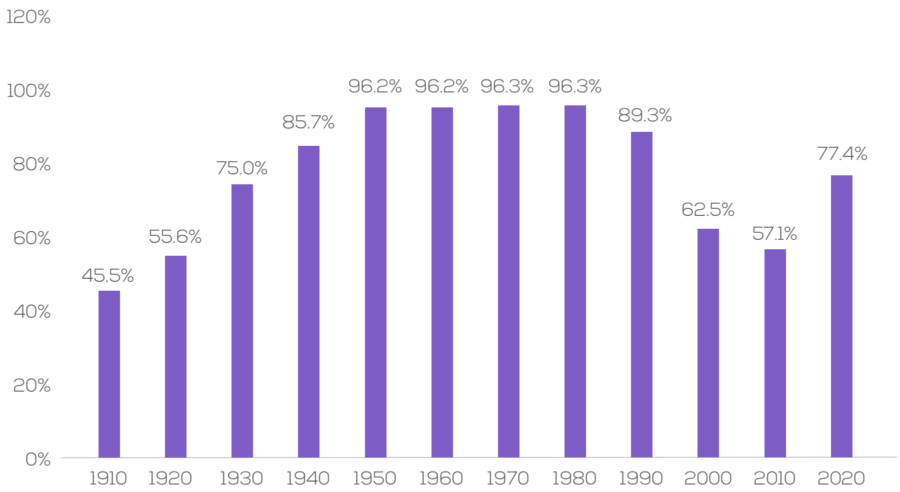
With the help of our own deep history database, we engaged in a study of global leader companies over a century in order to map the rise and fall of these giants. In 1896, Charles Dow, then editor of the Wall Street Journal, created the original Dow Index with twelve constituents. The only original Dow member recognisable today is General Electric. The rising demand of steel for skyscrapers and the car industry motivated John Pierpont Morgan to acquire Carnegie Steel, eventually creating the United States Steel Corporation in 1901, the world's first billion-dollar company. As already mentioned, mass production of cars meant that American households went from almost no ownership in 1900 to owning close to one car per household in the 1930s. This spurred the entrance of General Motors and Chrysler to the Index in 1930.

The increased mobility of households also changed the face of the retail industry.

In the 1920s, Sears, a US retail business evolved from a mail order business to one offering mass produced goods in out of town stores, which had become accessible to consumers in their newly acquired cars and Woolworth (no relation to our own retail chain) also went on a rapid store expansion spree. Yet again, history perhaps did not repeat itself, but it certainly rhymed. The retail industry has been altered globally by the rise of e-commerce. Amazon, which started off as an online purveyor of books, now is making forays into the brick and mortar space. Similarly, Alibaba in China has evolved to expand its marketplace business to offering an experiential food shopping experience, where shoppers can click on items as they move down the aisles and get those delivered to their homes. The forthcoming listing of its financial services arm, Ant, is also a sign of China challenging the American hegemony.

We tracked the origins of the current oil majors all the way back to 1885 when John D Rockefeller founded Standard Oil. The company was broken up in the following decade with its offspring Exxon and Chevron remaining dominant industry players for over a century. Exxon was replaced in the Dow Index only this year by software sensation Salesforce. Perversely, the much maligned Eastman Kodak, which was founded by George Eastman in 1888 and has been synonymous with the ubiquitous Kodak moment, remained a global leader for three-quarters of a century before failing to embrace digital photography, which led to its ignominious end in 2012. We created a proprietary survival index to measure quantitatively how long global leaders remain at the helm of their respective industries.

GLOBAL LEADERS SURVIVAL INDEX



Source: Ashburton Investments

We had to rewind to the roaring twenties to find a period of significant change in leadership as depicted above. The only other period which had such an equivalent sea change was the era of irrational exuberance of the late 1990s. Our historical database also provided us with some interesting insights into the current internet giants dominating the Nasdaq.

In the 1970s, the invention of the microprocessor enabled the commercialisation of the desktop computer in the 1980s. Perversely, IBM, a Dow member from the 1930s, did not foresee a great future for desktop computers. Microsoft, however, capitalised on this trend and made its entry in the Dow in the 1990s. As the world wide web became the new digital super highway, the dot.com bubble provided for a number of newcomers. Our index shows a massive change in global leadership for two decades as many Dow veterans failed to adapt and new giants rose out of their ashes.

“One hundred and seventeen years after the emergence of US Steel as the first-billion dollar company, Apple in 2018 became the world’s first-trillion dollar company. In just two years in August 2020, the market cap doubled to US$2 trillion.”

It is a lesser known fact that when Eastman Kodak filed for Chapter 11 in 2012, they sold many of their patents to the likes of Apple, Alphabet, Facebook and Amazon. It is therefore ironic that as Kodak exited the Dow Index, Apple took its place and, armed with Kodak’s patents, it has dominated digital photography with a major share of the 1.7 trillion photos taken digitally last year alone. Though digital photography became mainstream, the winner was not digital cameras. Digital camera sales dropped by 87% since 2010 as per Statista. With the rising trend of social media and smart tag culture, the smartphone photography ecosystem emerged. With the exponentially increasing need for storage and computation, cloud computing and Graphics Processing Units picked up the trend baton. One hundred and seventeen years after the emergence of US Steel as the first billion-dollar company, Apple in 2018 became the world’s first-trillion dollar company. In just two years, in August 2020, the market cap doubled to US$2 trillion.

Global leaders are companies which both shape and mirror consumer trends. History validates that trends typically do not exist in silos but create a domino effect, though the domino speed compared to 100 years ago has accelerated massively. Domino trends (as we would like to coin the term) is one trend igniting another trend creating an ecosystem loop of global leaders. Currently, the market cap of AAA FM (Apple, Amazon, Alphabet, Facebook, Microsoft) is equivalent to 400 of the other constituents of the S&P 500.

However, as witnessed by the break-up of Standard Oil a century ago, their dominance is often the seed of their own destruction.

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