

Capturing the growth of global disruptors

Investing in a portfolio of successful global disruptors is now within everyone's reach.



DISRUPTORS – everyone in Singapore has probably used at least one of these companies' products or services and contributed to their growth, but not many may have benefited from their success by investing in their shares due to high barriers to entry.

Lion Global Investors (LGI), however, has made it possible to easily invest in a portfolio of globally diversified disruptors, with the launch of the LionGlobal Disruptive Innovation Fund (LGDIF) in January this year.

What makes disruptors?

To be sure, not many companies qualify as disruptors. To qualify and for the fund to consider investing in, a company must have challenged existing business models and its innovative ideas must have been proven and commercialised. Also, it must have shown stability and consistency in its business performance.

Disruptors could come from not just one but an array of industries. These include:

e-commerce, social media, location-based services, Internet of Things, artificial intelligence, robotics, big data, battery technology, electric vehicles and self-driving vehicles, among many others.

A well-known disruptor in the social media space, for example, would be Facebook. The social media company, which has revolutionised the way people connect with each other, has also brought huge business opportunities from targeted social media advertising. A growing user base has made Facebook a choice marketing tool for many advertisers for customer promotions and engagement.

With the advent of 4G connectivity three years ago, the world's usage of Facebook has increased tremendously. The company's market capitalisation has also burgeoned since, reflecting investor confidence in its growth potential. Today, Facebook is one of the largest U.S.-listed companies by market capitalisation.

Another disruptor is e-commerce giant, Alibaba Group, which surpassed Walmart to become the world's largest retailer in 2016.

On the November 11 Singles' Day in 2016 – the company's largest online sales event of the year – Alibaba clocked a record US\$17.8 billion in gross merchandise volume (GMV), a 32 per cent growth over its GMV for Singles' Day 2015¹. In the quarter ended December 2016, Alibaba's group sales also rose 54 per cent to 53.2 billion yuan (\$7.8 billion)² on its business growth.

Tesla, known for its electric vehicles and Gigafactory, is also a disruptor in the automobile and power industries. The company's market capitalisation surpassed that of General Motors for the first time in April this year to become the largest automaker in the U.S.³

Only the best would make the cut

Picking the next success story like Facebook or Amazon is no easy task. While identifying the disruptors in the various sub-sectors is relatively easy, identifying the stocks which are entering the growth phase is challenging. Despite knowing that certain disruptive trends exist, the more important considera-

tion is to find out when to invest in companies that drive these trends.

The LGDIF uses a five-factor fundamental investing methodology to identify potential disruptors with strong growth prospects. Using this methodology, it narrows a 500-stock investible universe to a portfolio of 100 stocks. These five factors are: market capitalisation; price-to-sales ratio; price volatility; long-term earnings-per-share growth; and sales growth. In addition, the fund rebalances its portfolio quarterly to avoid declining disruptors and focus on stronger ones.

A long-term megatrend

Disruption is a long-term megatrend that is still unfolding. Self-driving cars have not hit our roads, drones have not started delivering parcels, and 5G connectivity and Artificial Intelligence on smartphones have not become reality. When investors review their investment portfolios with their financial advisors, it is important to consider the exciting investment opportunities presented by disruptors.

One way to harness these opportunities is to invest in the fund through a regular savings plan to benefit from Dollar-Cost Averaging, which helps to ride out the volatility of equity markets.

Details of the LGDIF are now available on the LGIDirect, LGI's newly launched information content platform, which connects to the transactional portals of its online distribution partners: dollarDEX, Fundsupermarket and POEMS.

For more information on the LGDIF, visit www.lgidirect.com.sg.

¹ "Singles' Day: Alibaba posts record sales as Chinese e-shoppers spend billions" published by ABC News Online on 12 Nov 2016.

² "Alibaba Adds \$7.5 Billion in Market Value after Raising Forecast" published by The Washington Post on 24 Jan 2017.

³ "Tesla passes General Motors to become the most valuable US automaker" published by CNBC on 10 Apr 2017.

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