



FORSTRONG
GLOBAL



2023 SUPER TRENDS

METAMORPHOSIS

Dear Clients, Colleagues & Friends,

The inspiration for this year's Super Trends report came from Franz Kafka's 1915 novel, *The Metamorphosis*, a fictional tale that bounces back and forth between reality and the surreal. The story begins with salesman, Gregory Samsa, waking up to discover that he has overslept, missed his train and — stay with us — mysteriously transformed into an oversized insect-like creature, complete with an armor-plated back and domelike brown belly.

Initially, Samsa is convinced his condition is temporary. Everyone is shocked by his new appearance. Samsa struggles with his new body, sustaining a serious injury while trying to squeeze himself through a doorway. Yet, reluctantly over time, the protagonist begins to reflect and ponder on the consequences of his transformation.

Of course, the entire story is an absurd premise, much like Kafka's other works which relish in playing with outrageous metaphors. But Kafka's writing has captivated millions of readers precisely because his bizarre distortions often mirror reality in a way where parallels are easily drawn.

Year In Review

As it was in 2022, financial markets had their own Kafkaesque backdrop. Investors did not need to stretch their imaginations: reality did it for them. Supposedly rare events — “tail risks” in the vernacular of investing — appeared more frequently than ever. Against all predictions, Vladimir Putin invaded Ukraine. Energy systems were thrown into chaos. Superyachts, those shrines to excess capital and formerly untouchable toys of oligarchs, were seized. And, now, NATO, that creature of the Cold War era, is becoming both wider (with Sweden and Finland, previously unthinkable members, jostling to join) and thicker (Berlin's defense budget is skyrocketing).

Elsewhere, new realities also surfaced. Forget the sober World Cup, Silicon Valley — home to the long and glorious technology bull market of the last decade — finally stumbled. Damage was eye-watering. Lockdown favourites like Netflix and Zoom experienced large losses. SPACs, those blank cheque vehicles which by a masterstroke of marketing genius received a more respectable imprimatur, imploded. And the year ended, naturally, with a handful of cryptopians in a Bahamian frat house caught embezzling billions of dollars.

Meanwhile, macro fault lines marbled the entire globe. After three years of continuous lockdowns in China, public frustrations finally boiled over into protest. The UK scrambled to fill the fiscal black hole left by the failed economic policies of “Trussonomics”. And America, a financial system that became ultra-habituated to low rates, finally woke up to soaring borrowing costs.

No Time To Panic

All of this has forged an easy fraternity for those predicting more macro doom. Global pessimism is now higher than ever. Understandably, the pull of this narrative is powerful. Because the most recent threats to civilization were a pandemic and then an unforeseen war, we expect the next one to take the same existential form. But should we? The history of markets is one of miscalculated extrapolation; of mistaking lagging indicators for the leading variety. And it is one of thinking in small incremental steps, missing big turns in the narrative. After 2008's big downturn, investors spent the decade waiting for another global financial crisis to strike again. It didn't.

Looking ahead, it should be clear that the last few years have marked a definitive end to the age of economic placidity of the 2010s — a metamorphosis of the macroenvironment. In fact, today’s conditions are barely recognizable from the “new normal” features of sluggish growth and low inflation that dominated the last decade.

As we enter the last torrid days of 2022, investors should remember that major bear markets, like the one this year, always signal a change in investment trend. The real danger, then, lies in investor complacency — refusing to change portfolio strategy to align with the new macro fundamentals. The bias for many may be to run back into the investment trends that worked in the past decade. But if those macroeconomic trends of the last decade have been punctured, then it would be highly unusual for leadership not to change as well.

As it happened, Kafka’s protagonist never adapted to his new structure. But this need not happen to investors today. Rather, investors should not panic but pause, recognize that conditions are different, and keep looking forward — even though it may be difficult to see through a tempest of negative data points.

To be sure, the coming metamorphosis will be uncomfortable at times. Different conditions will take some adjusting. Yet many macro trends are spring-loaded to last for years. New bull markets are quietly beginning. More than ever, investors need to look out further and lean into long-term secular themes. Wide-angle global perspectives will be crucial to discern the path ahead and set the right investment roadmap.

We aim to do just that in the pages that follow. Forstrong’s investment team, a collective with several centuries of combined global experience, shares our best ideas about the world’s most important Super Trends — those enduring themes that will have the largest impact on capital markets. Our hope is that this report will help investors make sense of the unfolding macro landscape.

A special thank you to our clients and partners for joining us on this journey. It is a distinct privilege to steward your financial futures.

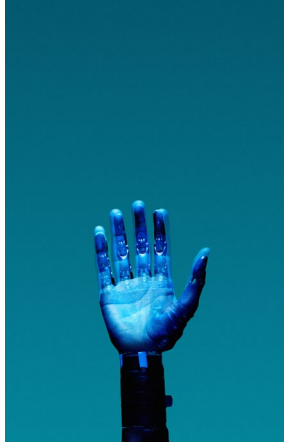


Warmly,

Tyler Mordy

Chief Executive Officer and Chief Investment Officer

December 2022



2023

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Super Trend 1

Fiscal and Inflationary Breakouts: The End of Austerity

It always takes a crisis to shake up economic thinking. The 1930s Great Depression set policy on a far different path, ushering in a Keynesian era where governments used budgets to fine-tune growth and inflation. That orthodoxy came crashing down in the raging inflation of the 1970s. From there, monetary interventionists emerged as the leading macroeconomic managers. The cult of the central banker was born. (Fed Chairman Greenspan could have stuck a licked finger in the air to convince the public of the economy's direction). In the mid-2000s, central bankers would boast of having achieved a "great moderation": economic and inflation variability had apparently been tamed.

We are now at another historic inflection point, where the pendulum of fiscal and monetary orthodoxy is swinging in a different direction.

Enter the present. We are now at another historic inflection point, where the pendulum of fiscal and monetary orthodoxy is swinging in a different direction. Why? Look no further for evidence than global prices rising at a double-digit pace for the first time in nearly four decades.

Many did not see this coming. In fact, a strong consensus in the 2010s held the view that inflation and growth were permanently low for structural reasons. Poor demographics and productivity would keep growth sluggish, while globalization and digitization would keep inflation muted.

This has all been proven wrong. It turns out that the developed world can produce inflation after all. Yes, it took the Covid pandemic to unleash extraordinary actions. Governments, knowing that monetary policy would never be enough, launched their largest spending program since World War II. The combination of lockdowns and fiscal largesse was highly inflationary, amplified by the spasms and reflexivity of global supply chain disruptions.

Where to next? The key is to recognize that these inflationary impulses have longer-running support: a structural rise in government spending and investment. An aging population needs more healthcare services. The West needs to spend more

on defense to counter threats from Russia and others. Climate change and the need for energy security will boost state investment in renewables. And heightened geopolitical tensions are leading policymakers to spend more on industrial policy. The key Super Trend for the 2020s is bigger government.

Investors should not lose sight that fiscal thrusts pack a bigger punch than the monetary variety. Money is channeled directly to households or businesses. Conversely, central banks can only inject more spending power into the economy via an indirect channel: the cost of money.

Looking ahead, even with the end of pandemic stimulus, broad enthusiasm around the world for more deficit spending still exists. The rolling crises of the last two decades have shaken the public's trust in established ways of thinking. An enormous appetite now exists for new solutions to the issues facing modern economies.

Stephanie Kelton, leading proponent of Modern Monetary Theory, best captured the mood: "Austerity is a failure of the imagination." Whether investors agree with MMT or not is irrelevant. Even with the massive Covid stimulus behind us, the policy trajectory has already been set in favor of continued deficit spending. The bar is finally open.

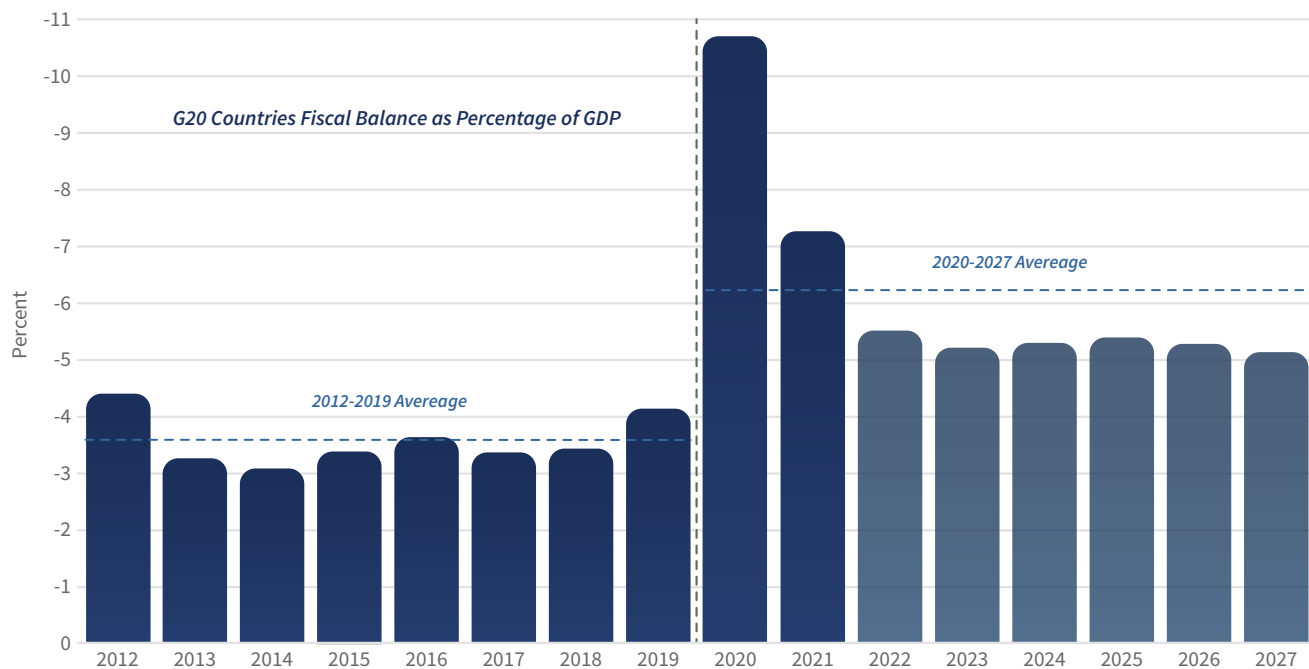
A key orientation for investors is to recognize that the investment leadership in the 2020s will be the precise opposite of the post-GFC 2010s.

Investment Implications

The risks and opportunities in this brave new world of higher government spending and higher inflation are numerous. However, a key orientation for investors is to recognize that the investment leadership in the 2020s will be the precise opposite of the post-GFC 2010s. Back then, in an environment of weak broad-based growth, investors clung close to shore: the US dollar was chronically strong, American assets commanded an ever-steepening premium and growth stocks trounced their value-oriented counterparts.

Expect all this to steadily reverse. Investment classes that struggled with chronically weak demand and dismal pricing power in the last decade are now primed for multi-year outperformance: select resource-exporting emerging market equities, global sectors with pricing power (banks, industrials, healthcare) and international value stocks which trade on far lower earnings multiples and far higher dividend yields. The real failure of imagination, then, will be to remain anchored to the secular stagnation of the 2010s and assume that environment will last forever. It never does.

Fiscal Policy Floodgate has Opened



*Data estimated by IMF

Sources: Macrobond, IMF, Forstrong Global Asset Management



Super Trend 2

R.I.P. ZIRP

A growing counsel of doom has been warning about the end of the zero-interest rate era, that apparent Eden built on an abundance of cheap capital and easy funding rounds for the tech sector. Many now look back wistfully on the last decade as a kind of financial nirvana. In fact, their argument is compellingly simple: if low rates boosted asset prices, then higher interest rates should depress valuations.

It's a nice narrative, but there isn't any evidence to support it. Yes, the initial impact of low rates is always a crowd-pleasing elixir. But the longer-term impact of low rates, particularly if they remain low for long periods of time, always leads to lower growth. The reasons why are long: low rates hinder the process of creative destruction, lower the incomes of retirees and savers and contribute to widening wealth inequality and a shrinking middle class. Most importantly, low rates discourage saving, investment and capital accumulation — crucial props for lifting productivity and longer-term growth.

In the 2010s, the need for consumers to repair balance sheets necessitated a far lower interest rate. An extended period of debt reduction, cleansing of excesses and overall financial system repair was needed. Today, we simply do not have the same economic and financial imbalances. Generally, the global economy is on far firmer footing and several dynamics are different: well-capitalized banking systems, healthier consumer balance sheets and, most importantly, rising wages and robust labour markets. The big surprise will be that the global economy can handle higher rates without tipping into a deep and protracted downturn similar to the one after 2008.

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US 10 Year Treasury Yield Breakout



Sources: Macrobond, Federal Reserve, Forstrong Global Asset Management

Investment Implications

Much of today's asset pricing still reflects the disinflationary and declining rate trends of the last 40 years. Several investments flourished in the long era of low, dull interest rates. Mispriced assets can be seen everywhere. Growth stocks, with their pricing based on ultra-low discount rates, are the most obvious example. Residential real estate in Canada, Australia and Sweden are another (as a share of disposable income, debt levels in these countries sit at 185%, 202% and 203%, respectively). Privately held, illiquid assets are also flashing red. Most were structured when capital was free. In a higher interest rate environment, many are no longer viable. Next year will face a reckoning, as venture capital and private credit still do not reflect the re-pricing of the risk-free rate, let alone any economic weakness.

Having wandered through a desolate landscape of low yields over the last decade, interest rates are now normalizing. Money managers should welcome this. And, whereas the 2010s mantra was "lower for longer", the new one for this decade will be "higher for longer". The good news is that the world has just witnessed one of the fastest yield restorations in history. That means higher returns can also be had — but only if investors reorient portfolios away from those investment classes that needed zero rates to thrive and towards those that have languished over the last decade. Several high-income candidates exist here: global dividend-paying stocks, emerging market bonds and, even resource stocks, which are paying out a huge portion of their profits in the form of dividends.



Super Trend 3

Silicon Valley's Hangover

Over the last decade, outperformance for Big Tech and the broader technology sector has been unparalleled. The numbers don't speak for themselves so much as they scream. The Nasdaq swaggered through the 2010s, leading all major stock indices and soaring by more than 5 times during the decade. Then, share prices were bolstered by Covid lockdowns, which aided all things digital and proved immune to everything from lockdowns to legislation aimed at regulating their business models. Silicon Valley dominance was so potent precisely because, tech provided a rare shot in the arm — an inoculation against a growth-deficient world.

But in the froth of every boom, fact becomes blurred with fantasy. Forecasts become bolder. Promoters compete to promise an ever-brighter future. By the end of the bull market, all things seem possible. Now, we have just witnessed a natural culmination of the tech boom that began in 2009 and then super-sized during the pandemic. Silicon Valley suffered a pummeling in 2022. This is new and unfamiliar terrain.

Looking out longer-term, the dual macro trends of higher nominal growth and higher interest rates will continue to constrain the tech sector. And, a more hostile regulatory environment, based on the legitimate concern that Big Tech is stifling innovation and swallowing younger competitors, will be a persistent headwind.

Silicon Valley dominance was so potent precisely because tech provided a rare shot in the arm — an inoculation against a growth-deficient world.



Weight of Technology & Consumer Discretionary & Communication Services in S&P 500 (%)



Sources: Macrobond, S&P Dow Jones Indices, Forstrong Global Asset Management

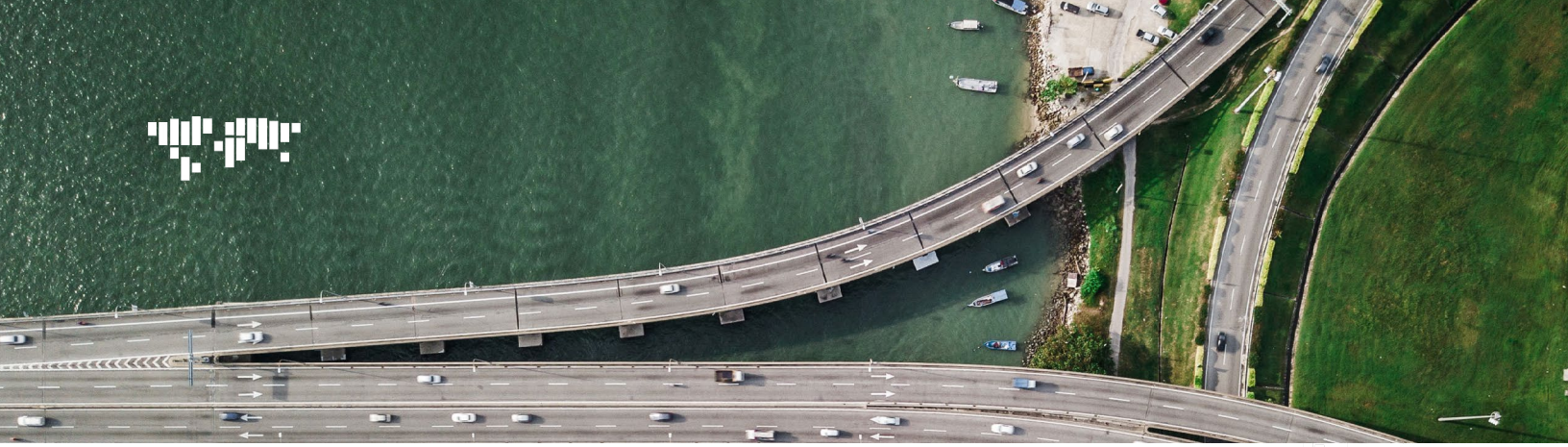
Investment Implications

Bubbles that burn billions of dollars don't reflate quickly. History is clear on that. History is also clear on the aftermath of bubbles. Investors, conditioned by years of outperformance and familiarity of the investment class, don't give up on past winners easily. Recent investor flow data confirms this, with investors continuing to shovel enormous amounts of capital, "buying the dip", into technology.

On many levels, this is understandable. People's perceptions of the past shape their view of the

Bubbles that burn billions of dollars don't reflate quickly.

future. Old narratives take time to be replaced by new ones. Humans have a difficult time updating their mental models — overestimating the probability of what has already happened to them, while underestimating new scenarios. Yet, investors should brace for a long period of underperformance for the technology sector. Better opportunities exist elsewhere.



Super Trend 4

Money Talks: Revenge Of The Real Economy

Per the above Super Trend, Silicon Valley was a huge magnet for talent over the last decade. Those involved in tech-startups often made a fortune, despite working for companies that never turned a profit or created value for the public. What's worse, the investment that did take place mainly went into productivity-dragging distractions — digital games, social media and other consumer internet technology. Sure, some of these are modern conveniences, but they are hardly industrial breakthroughs. Compare that to earlier episodes of capitalism, which generated advances in electricity, key infrastructure and other innovations that lifted productivity across industries.

All this, of course, has come with a longer-running cost. For example, in the resource extraction business, we now have a shortage of engineers. New projects take far longer to complete. New technology to make extraction faster and more cost-efficient has also been scant. No surprise, then, that the world is facing enormous deficits in key commodities. A wide range of other research-intensive fields have suffered as well, as endless rounds of low rate-funded venture

capital pushed the best and brightest into game development and ad optimization (and, sadly, into building algos for cryptocurrencies).

Looking ahead, a revival in demand is taking hold simply because the world has underspent in the real economy for years, whether it is on energy, infrastructure, or defense.

Also, consider that the 2010s were the decade of massive company buybacks. That makes sense. Why would companies, even those flush with cash, engage in real business investment when growth is sluggish and uncertain, and capital near-free? Over the short-term, corporate executives can hit quarterly earnings targets far easier with financial engineering than long-term investment initiatives. As it was, a capital spending cycle, with the resulting rising wages and higher growth, never took hold. Instead, the recovery from the 2008 financial crisis was the most anemic since World War II.

Looking ahead, a revival in demand is taking hold simply because the world has underspent in the real economy for years, whether it is on energy, infrastructure, or defense. This revival will not just happen in the West. For example, India, a country with a share of investment to GDP of just 30%, has enormous potential to kickstart a multi-year infrastructure cycle. Investors should expect this figure to move closer to China, where during their rapid industrialization phase from 2002 – 2011, investment reached 45% of GDP.

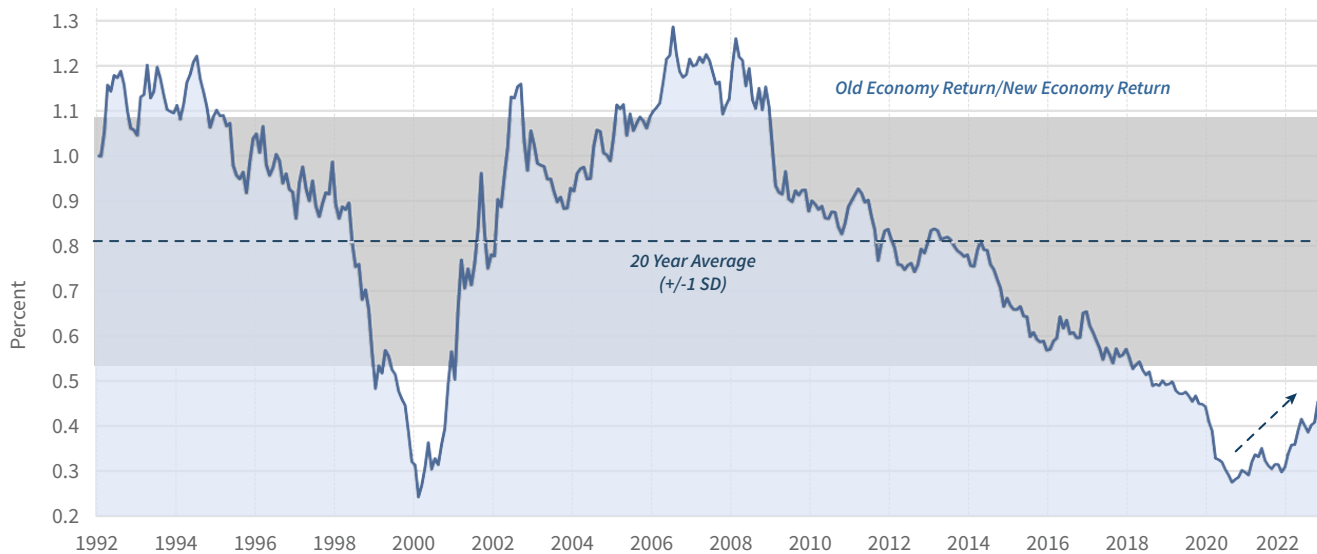
Finally, heightened consumer demand is finally convincing executives that capital is worth outlaying — a sign that individual businesses are buying into their own prospects (even as they remain gloomy on the world economy and higher rates). In fact, shortages have quietly kickstarted a robust recovery in capital investment. This was the key missing ingredient in the post-2008 recovery and is crucial for lifting capacity, productivity and, ultimately, higher growth. Eventually, this will lead to stronger earnings and sustainably higher interest rates, even if growth is bumpy and central bankers can't stick a soft landing in 2023 (don't hold your breath for that).

Investment Implications

The real economy is back. Suddenly, fantasy is out and fundamentals are in. Investors are no longer obsessed with finding treasure island. Growth at any cost is no longer being rewarded. Instead, they are becoming intrigued by such quaint things as steady earnings growth, robust balance sheets and, most crucially, cash in hand. The market will continue to reward industries and sectors that can deliver this now rather than a promise out to 2030. In other words, the world is getting back to reality. Investors should not lose sight of this when setting asset mix.

The Revenge of 'Old Economy'

Rebase to January 1st, 1992



*Old Economy Return: Equal weighted return of S&P 500 Energy, Financials, Industrials and Materials index
 New Economy Return: Nasdaq 100 index

Sources: Macrobond, S&P Global, Forstrong Global Asset Management



Super Trend 5

Putin's War: Powering EU Unity

What has been simmering at the wilder edges of post-Soviet Russia is now — with the invasion of Ukraine — at full boil, spilling over into all corners of the world. To be sure, Russian history is a whirlwind of war and tyranny. And the past is never far apart from the present. The country has a lengthy track record of failed wars. Regime changes always follow. The drawn-out war in Afghanistan contributed to the collapse of the Soviet Union in 1991. Defeat in WWI led to the Russian Revolution in 1917. The list swells as one looks back further in history.

Putin missed this in his calculus. And, while the sudden and brutal invasion shocked nearly everyone, the Western response has been equally astonishing. Before the war, Russia's urban middle class had become accustomed to a world complete with Starbucks, iPhones and holidays in Spain. That existence is now over. Putin has again successfully imprisoned Russian citizens behind an iron curtain, amounting to a financial, commercial, and cultural excision of the world's 11th-largest nation.

To be sure, this is just the beginning of a longer-running conflict. A variety of scenarios could yet unfold. But the economic battle lines have already been drawn: energy and food independence, enlarged military budgets and

a quickening pace of decarbonization are now firmly entrenched as top global policies.

A new Europe has also emerged from the tragedy of Ukraine. The significance of the sanctions campaign goes well beyond straight economics. Rather, the coordinated response points toward a move away from a meandering European Union toward a strongly unified one — a collective rally around a common set of ideals and principles.

The EU's three-decade complacency is now over. Geopolitical rivalries always act as spurs for massive investment in infrastructure, technology, and other innovations. This time will not be different. France has a powerful ally in Germany. Together, they will no doubt seize the opportunity to push an agenda to build a new energy system which will be enormously capital intensive, even comparable to the post-war reconstruction boom, as infrastructure, transportation networks and technologies require vast amounts of fixed investment.

While it cannot be denied that Europe has a geostrategic vulnerability due to energy reliance on outsiders, a lack of fossil fuel endowments does not mean endless doom

in Europe. In fact, given that they have far more capacity to generate, transmit, and store renewable electricity, the EU is the leading region of the world to be the first

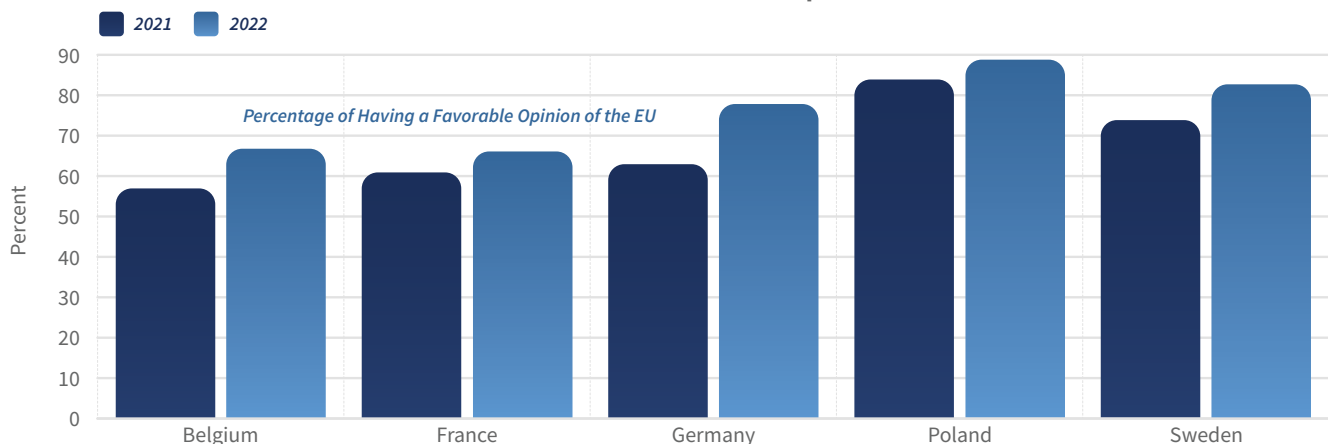
to meaningfully move away from a legacy structure of carbon-intensive energy (especially versus the US's belated conversion to green industrial policy.

Investment Implications

What happens in Russia will not stay in Russia. Before the invasion, the country was an integrated member of the global economy. Russia reliably supplied oil, gas and base metals to most of Europe and agricultural products to the Middle East and Africa. The country alone supplies 25% of the world's copper production. In a dangerously globalized world, investors are witnessing a masterclass in economic interdependence. Early winners in this war have been nations with a similar economic makeup as Russia. For example, Chile's stock market, loaded with copper companies, soared in 2022. The stock markets of commodity-exporters remain an excellent hedge against further Russian aggression.

What about Europe, certainly the region of the world with the bleakest predictions? Looking across the valley, there is a larger trend at play here: the end of the EU's harsh fiscal austerity of the 2010s. Clearly, there is no policy appetite to return there. In fact, governments are under pressure to inject even more money into their economies to protect the public from the "cost of living" crisis. Berlin's recent €200bn "defense shield", which provides support for gas importing companies, has extinguished once and for all any notion of fiscal restraint. Expansionary policies will drive growth higher over the coming years (even if German conservatives will be holding their noses for a long time). Correspondingly, European stock markets, which remain undervalued with cheap currencies, will continue to surprise on the upside.

Favorable Views of the EU up from 2021



Sources: Macrobond, Pew Research Center, Forstrong Global Asset Management

Super Trend 6

Here Comes The Sun: Transitioning To Net-Zero

Whether readers agree with climate change or not, it is clear that fossil fuels will be steadily replaced by renewable electricity as the world's dominant energy. Already, a third of the world's 2,000 largest public companies have set net-zero targets. 91% of global governments are committed. And, whether readers share the same sentiment as UN Secretary General, António Guterres — that current net-zero rules contain “loopholes wide enough to drive a diesel truck through” — the point is this: decarbonization will be enormously capital intensive.

This will be comparable to the post-WWII reconstruction boom, as infrastructure, transportation networks and technologies require vast amounts of fixed capital investment. And, not to forget, electricity supplied to the grid must be clean. McKinsey estimates an annual average of 7.5% of global GDP must be spent on physical assets to achieve net zero by 2050.

Of course, the coming carbon transition is not a one-way bet and was always destined to be clunky. The world's energy system remains dominated by fossil fuels. Renewable energy systems will take decades to build up. But it is possible that the world gets some wins here. Solar energy provides the best evidence, which became nearly 90% cheaper over the last decade. Should other green technologies follow the same pattern or provide innovative breakthroughs, higher growth and productivity will follow. India is a case in point, where the low cost of solar energy has allowed the country to meet a key target of its net-zero program a decade early.

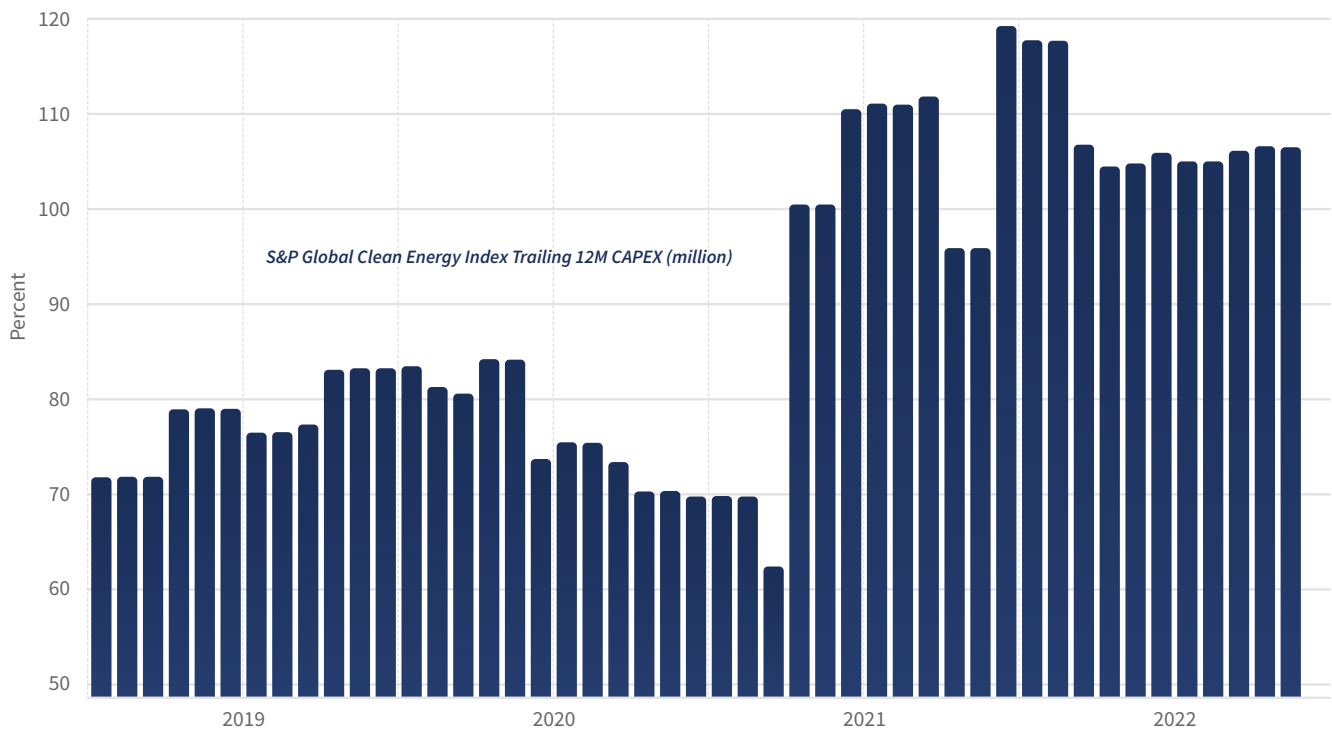


Investment Implications

Decarbonization trends will be measured not just over years, but over decades. Given the size and scale of this Super Trend, investors will need to stay focused on actionable investment allocations. In the period directly ahead, traditional energy companies will remain income plays (as companies hand cash back to shareholders rather than pursuing capital expenditures). These companies themselves are also strategically buying renewable assets, diversifying their asset mix from fossil fuels into renewables. These trends should be monitored closely.

The carbon market is also heavily policy-driven. Businesses and households will allocate capital where the returns are the greatest. Government policies that impose carbon pricing tilt the scales in favour of green investment. Once these programs are in place and politicized, they are difficult for policymakers to remove.

Decarbonization Trend will Continue



Sources: Macrobond, S&P Global, Forstrong Global Asset Management



Super Trend 7

Globalization 2.0: Re-Wiring The World Economy

Turning to the grand canvas of geopolitics, it should not be ignored that globalization was once sold as a bridge to peace and higher prosperity for all. Instead, it has become a new battleground. On the surface, the Russian invasion appears to be the end of the era of unfettered globalization — three decades of fitful progress thrown into reverse. The new type of sanctions-style warfare, a financial “shock and awe”, amounts to the most aggressive unplugging of a financial and commercial system as one can imagine. The risk is that countries other than Russia could be next.

What happens now? As the German Chancellor, Olaf Scholz, has declared, we are indeed at a *zeitenwende*: a pivot point. Consider that Putin has unintentionally created a most rare thing in today’s polarized world: a consensus. The invasion of Ukraine has done what nothing else, not even a global pandemic, could do: show the difference between right and wrong with such clarity that nearly everyone is in agreement.



Global governments are showing that shrewd multipedal political maneuvering can keep cross-border trade booming.

This has galvanized support right across the world. A divided America is at least united on this one issue. A fractured EU is fostering greater cohesion. The West is more unified and determined than it has been for decades. Putin has effectively delivered a shock to the democratic world that restored its heartbeat.

What about China's role in all this? For all the feverish talk about the war in Ukraine ending the globalization of trade, there is actually far less action than substance. What is far more likely is that existing regional trading blocs will be further developed, with some minor regions of these systems cut out. What remains striking about China is the extent of its economic interdependence with the rest of the world, despite rising geopolitical tensions. In 2021, the US still imported more goods from China than any other country and exported more goods to China than any other country, with the exception of Canada and Mexico. Foreign engagement is likely to continue to reflect the economic reality of China's high level of global connectivity, even though tensions will stay elevated. Lastly, it should be noted that China is now the only major economy that can deviate directionally from America's domestic growth path. As China re-opens, macro-minded investors need to keep this closely on watch.

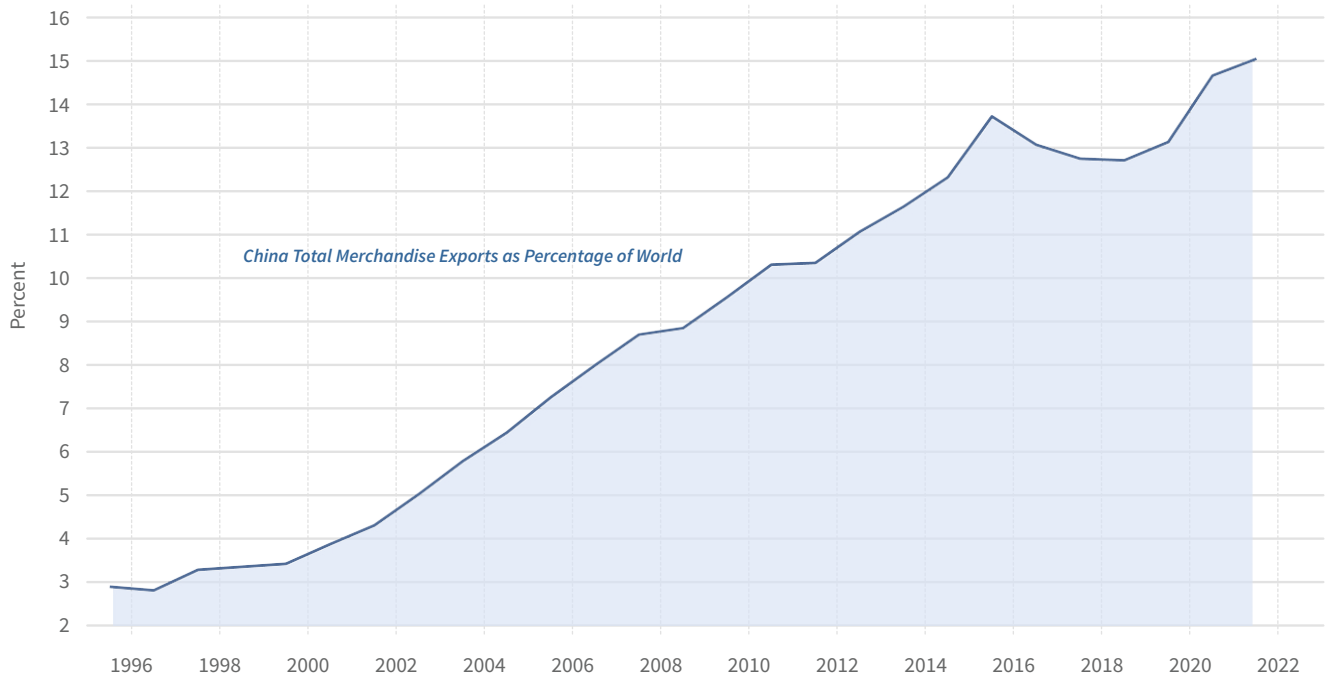
Of course, geopolitical risk remains elevated. But let's not kid ourselves: economics still trump politics. Global governments are showing that shrewd multipedal political maneuvering can keep cross-border trade booming. For example, the International Energy Agency reluctantly admitted that recent Western sanctions against Russia have had limited impact on their oil output. The country's current account surplus swelled to a record US \$138.5bn in the first half of 2022, as energy flows quickly re-routed to other countries like India and Turkey. Or, consider that amid increasing US-China tensions, Covid lockdowns and ongoing hefty tariffs, China's exports have continued to gain global market share, underscoring the attraction of the country's global competitiveness.

Investment Implications

The pro-globalization consensus of the 2000s is being replaced with a more critical version. All of this may drive investors into the perceived safety of developed markets. But gloomy moods about globalization miss where the large emerging markets stand in their structural reform cycle. The crises of the late 1990s forced many of these countries to fix their finances, setting the stage for booms in the 2000s. The excesses of the 2000s then led to a lacklustre 2010s. Now, forced again to reform by the pandemic, they are set up for another solid run.

Emerging markets are also ahead of the global policy curve. Usually, the Federal Reserve is a leading indicator of what EM central banks will do. This time, under pressure from weaker currencies, their central banks started tightening in early 2021, a full year ahead of the Fed. As a result, they now have less work left to do in the fight against inflation. For the first time in at least two decades, the share of countries suffering rapid inflation (i.e. above the level of 5%) is higher in developed ones than in emerging markets. The Ontario Municipal Employees Retirement System aims to triple its assets in Asia Pacific over the next eight years. Forstrong's investment team is also positioned for a long period of outperformance and re-rating of select emerging markets.

China Exports Still Gain Global Market Share



Sources: Macrobond, WTO, Forstrong Global Asset Management

About Our Quarterly Forums:

Diverse By Design

High-performing teams don't just happen. Rather, they require recruiting the right people, deliberate planning and hardwiring a repeatable investment process that can deliver results throughout different investment regimes.

We are now in the third decade where Forstrong's investment professionals gather for our quarterly forum, identifying the most important market trends and setting longer-term portfolio strategy for clients. Today, the philosophical cornerstone of our investment process — globally-diverse perspectives produces better outcomes — is stronger than ever.

This approach has become increasingly relevant in today's investing climate. Like Kafka's plots, recent events and conditions can only be categorized as surreal. As our colleague Francis D'Andrade has stated all year, "we are living in a tail risk world." Black swans have been spotted more than ever.

This has been difficult to ignore. But why is it happening? Consider the setting of each financial crisis over the last few decades. In 2008, the US went through a housing and sub-prime mortgage meltdown. In 2011, a few countries in southern Europe could not pay their debts. In 2013, China's rapid industrialization era came

to an end. And, then recently, we had a pandemic. The government response amounted to the largest bailout in financial history.

What do these episodes have in common? Each of them was a localized crisis that went global. Because the world is more connected, national issues no longer remain inside national borders. A trend somewhere is now a trend everywhere. This is, of course, globalization. The ever faster and ever cheaper movement of people, information, and capital. More interconnectivity. Higher correlations. And, digitally-charged.

All of this has taken many by surprise. Yet many are now realizing that more resilience needs to be built into portfolios. That's why Forstrong's investment team is diverse by design. Our colleagues come from a wide background in age, experience, education, and culture. Each of these factors influence the way individuals see the world. It should not be surprising, then, that research repeatedly shows that international teams with multiple perspectives perform better. They are more likely to solve problems from multiple angles, becoming less entrenched in groupthink, leading to more thoroughly vetted decisions and more accurate thinking. Ultimately, results improve. Clients can count on us that a commitment to diversity will continue.

Forstrong. Go further with global thinking.

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Investment Team



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Chief Investment Officer

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