

New Investment Thinking –

Using the Future as Filter for Investment Decisions

Rohit Talwar – CEO - Fast Future Research

October 18th 2011

The current macro-economic turbulence is creating turmoil in financial markets. In the absence of clear signals that a strong recovery could be on the way, equity markets in particular lurch violently on even small news updates about the global economy and Europe's debt crisis. For investors, it's highly confusing to decide which asset classes to put your money into. Should you forego the analysts and rely on your own intuition, random walk methods, or the latest 'guaranteed' scheme landing in your inbox?

As a futurist, I have no more clue than the next person as to what the best strategies for short term returns might be. However, for the longer term, we can offer insights into the markets where we expect to see both long term growth and the funding to enable businesses to operate profitably in those sectors. Some investors have already spotted that as the global population heads past 7 billion to an estimated 9 billion or more by 2050, there is massive long-term growth potential offered by sectors such as education, food and healthcare. Here I explore three examples of future markets which we expect to see grow significantly in the decades to come.

An ageing society – We anticipate significant growth in those providing services to an ageing population. Life expectancy is rising by over 40 days a year in developed economies, and actuaries tell us that a lifespan of 100 or more will be commonplace for those under aged 50 today. Those aged over 65 also tend to have at least 50% of the wealth in most developed economies. As a result of these factors, we will see sharp increases in the range of services required to cater for the housing, health, mobility and psychological care of the over 65's.

Manufacturing revolution – 3D or 'additive' printing is promising to reinvent manufacturing as we know it. Using these techniques, complex 3-dimensional objects can be printed in layers of around 100 nanometres thick – producing structures that cannot be manufactured any other way. Already objects ranging from jewellery to entire cars have been created using 3D printing. The printers themselves are falling in price and are now available for less than \$5,000. This promises to revolutionize manufacturing – enabling us to purchase 'recipes' or create our own designs and have the product printed locally or even at home. 3D printing stations could become commonplace in tomorrow's shopping mall.

Infrastructure – Firms offering ultra-quick construction and low ownership costs should stand to benefit significantly from the expected infrastructure boom. An estimated \$30-40Tn of infrastructure investment is required over the next 3-4 decades to deliver on the needs of a growing global population – particularly in developing markets. This investment will deliver the sanitation, airports, transportation, logistics and energy infrastructure required to enable social and economic growth and development. The challenge is how to balance the

infrastructure needs of cash strapped developed economies and cautious emerging nations with the expectations of infrastructure investors. One solution is to rethink the infrastructure development process itself – bringing down the timescales for construction and adopting new materials to help reduce the costs of building and running infrastructure assets. Hence, there is a growing focus on new models coming from emerging markets – such as the recent example from China of a 15 story hotel constructed in six days following the laying of foundations. China's Broad Group claim their Ark hotel offers a cost saving of 20%, uses one sixth of the material and has five times the energy efficiency of an equivalent sized hotel, while still being able to withstand a 9.0 magnitude earthquake.

Clearly, these are not short term plays and there is still a challenge around picking the right future focused businesses to invest in. However, we believe that for those focused on long term returns, it makes sense to invest the time and effort to identify the sectors with true long term growth potential.

Rohit Talwar is the CEO of Fast Future Research – a global research and consulting company that specialises in identifying future growth industries and helps governments and global companies to explore and respond to the sectors, ideas, trends and forces shaping the next 5-20 years.

rohit@fastfuture.com