

1 May 2024

Global themes driving multi-year earnings growth

By WAM Global Lead Portfolio Manager Catriona Burns

Fifteen years ago, amidst the chaos of the global financial crisis, I was in London, working as a global portfolio manager. One prevailing theme was the ageing infrastructure in the US, exacerbated by financial strain and cost-cutting measures. This inadvertently shaped today's landscape where a significantly outsourced labour force maintains and upgrades the US electricity grid.

Today we are layering onto this same infrastructure with unprecedented power demands. We have rising energy demands driven by reshoring of manufacturing, significant power requirements from data centres enabling cloud transitions and artificial intelligence (AI) and then the complexity of adding in renewable energy sources, and electric vehicles into the mix. Consider this: one search on ChatGPT consumes ten times the electricity of a typical search tool. Now multiply that by 330 million people in the US and you can imagine how crucial maintaining and upgrading grid and communications infrastructure is as we look ahead. This is a theme that the WAM Global (ASX: WGB) investment portfolio is poised to capitalise on. As the US economy experiences shifting trends, the team's comprehensive and nimble approach to stock picking allows us to identify exciting investment opportunities in AI.

There are huge opportunities in critical assets and infrastructure needed to enable the AI powerhouse. We are looking for companies with multi-year earnings drivers we think have significant longevity. Infrastructure services provider Quanta Services (NYSE: PWR) stands at the forefront of maintaining and upgrading electrical and transmission grids in the US. It's industry dominance, coupled with a stellar management team led by Chief Executive Officer Duke Austin and Chief Financial Officer Jayshree Desai, has propelled the share price from USD40 to an impressive USD258 since WAM Global's investment in 2020. Quanta's multi-year earnings drivers, fuelled by critical infrastructure needs and legislative support, position them for sustained growth.

Outside of critical assets, the investment portfolio is strategically positioned to capitalise on several key thematic trends: digital enterprise, electronic marketplaces and innovative health solutions. We see significant opportunities for AI to accelerate the growth of the companies that we own in each of these areas. Companies such as Booz Allen Hamilton (NYSE: BAH), SAP (ETR: SAP), Intuit (NASDAQ: INTU), Intercontinental Exchange (NYSE: ICE), Tradeweb Markets (NASDAQ: TW), and Icon (NASDAQ: ICLR) are examples of this. Using our proven investment process we continue to find undiscovered, compelling opportunities across the globe and are excited about the high quality growth companies owned in the WAM Global portfolio.