William Blair | Blog
REPRINTED FROM INVESTING INSIGHTS AT WILLIAM BLAIR

Disruptive Business Models Drive Growth Abroad

June 15, 2021

The regulatory environment outside the United States is more conducive to the proliferation of disruptive business models, and, we believe, is one reason investors should consider international equities.

Financial technology (fintech) is driving long-term shifts, such as the move toward card and even person-to-person payment—and these trends are likely to underpin above-average industry growth. Indeed, much of the digital innovation of the past decade has taken place in the financial services sector.

However, the U.S. regulatory environment has proved a hindrance to innovation in this area, with an increasing amount of fintech innovation coming from abroad.

The past two decades have seen a rise in the number of new data protection laws and privacy regulations, and organizations must often comply with more than one regulation spanning different geographies and focusing on different capabilities.

This is especially true in the United States, where there is a morass of complicated regulation. Try to imagine, for example, how difficult it would be for a conventional financial institution to dip its toes in the cryptocurrency industry.

There has been more innovation in international markets, where compliance requirements under the Bank Secrecy Act and other anti-money-laundering regulations are clearer. Europe, in particular, is doing well in financial technology as well as robotics and 5G.

Moreover, “slowbalization” could create local champions, as William Blair’s Ken McAtamney has discussed in a blog post.

As Ken explained, globalization is a long-term phenomenon. The past 40 to 50 years have been an era of liberalization of economic policies. A confluence of forces on both the supply and demand sides have favored this trend. This has supported global growth and shaped the landscape for winners and losers in corporate performance.

Over the past few years, however, we have seen many of these forces challenged and in some degree reversed as the undercurrents of socioeconomic imbalances, nationalism, and populism reveal themselves in trade and tariff changes and even corporate supply chains. *The Economist* refers to this as slowbalization, as discussed in depth in our podcast.

It will be interesting to see if institutions worldwide rise to the challenge and work together to solve the problem, leading to a flattening of the world, or if we will see retrenchment into this trend of national interest that takes precedent over all else.

In the meantime, we have witnessed global supply-chain disruptions and the repatriation of intellectual capital and expertise. The localization of supply chains is creating local champions as companies with close proximity to consumers gain share.

Our white paper looks at the potential benefits of international investing in more detail.

Three Pillars of International Investing Series

Part 1: Three Pillars of International Investing
Part 2: Fishing in Bigger Ponds
Part 3: A Changing Tide Supports International Investing

Alaina Anderson, CFA, partner, is a portfolio manager and research analyst on William Blair’s Global Equity team.


Three Pillars of
International Investing
GET OUR INSIGHTS
William Blair

Disclosure:

This content is for informational and educational purposes only and not intended as investment advice or a recommendation to buy or sell any security. Investment advice and recommendations can be provided only after careful consideration of an investor's objectives, guidelines, and restrictions.

Information and opinions expressed are those of the authors and may not reflect the opinions of other investment teams within William Blair Investment Management, LLC, or affiliates. Factual information has been taken from sources we believe to be reliable, but its accuracy, completeness or interpretation cannot be guaranteed. Information is current as of the date appearing in this material only and subject to change without notice. Statements concerning financial market trends are based on current market conditions, which will fluctuate. This material may include estimates, outlooks, projections, and other forward-looking statements. Due to a variety of factors, actual events may differ significantly from those presented.

Investing involves risks, including the possible loss of principal. Equity securities may decline in value due to both real and perceived general market, economic, and industry conditions. The securities of smaller companies may be more volatile and less liquid than securities of larger companies. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks. These risks may be enhanced in emerging markets. Different investment styles may shift in and out of favor depending on market conditions. Individual securities may not perform as expected or a strategy used by the Adviser may fail to produce its intended result.

Investing in the bond market is subject to certain risks including market, interest rate, issuer, credit, and inflation risk. Rising interest rates generally cause bond prices to fall. High-yield, lower-rated, securities involve greater risk than higher-rated securities. Sovereign debt securities are subject to the risk that an entity may delay or refuse to pay interest or principal on its sovereign debt because of cash flow problems, insufficient foreign reserves, or political or other considerations. Derivatives may involve certain risks such as counterparty, liquidity, interest rate, market, credit, management, and the risk that a position could not be closed when most advantageous. Currency transactions are affected by fluctuations in exchange rates; currency exchange rates may fluctuate significantly over short periods of time. Diversification does not ensure against loss.

There can be no assurance that investment objectives will be met. Any investment or strategy mentioned herein may not be appropriate for every investor. References to specific companies are for illustrative purposes only and should not be construed as investment advice or a recommendation to buy or sell any security. Past performance is not indicative of future returns.

Copyright © 2020 William Blair & Company, L.L.C. "William Blair" is a registered trademark of William Blair & Company, L.L.C. No part of this material may be reproduced in any form, or referred to in any other publication, without express written consent.