

# Global Market Overview and Investment Themes



SELECTING QUALITY COMPANIES FOR THE LONG TERM

## ■ ■ Global Investment Landscape



### **United States**

- Moderate growth, fair valuations, relatively full employment, solid business fundamentals and favorable economic backdrop
- Trade disputes, normalizing interest rates, long-term deficits

### **Opportunities**

- Wide-moat businesses with earnings growth and attractive valuations
- Out-of-favor businesses that are mispriced
- Selectivity is key



### **Europe**

- Economic conditions vary widely by country
- Demographics and regulatory headwinds

### **Opportunities**

- Selectivity is key
- Premier multinational leaders with strong, long-term global growth prospects
- Avoid companies solely tied to Europe



### **Developing Markets**

- Strong earnings growth, attractive valuations, expanding middle class
- Swings in international investment sentiment mispricing certain countries and companies

### **Opportunities**

- Selectivity is key
- Rapidly growing, attractively priced consumer services businesses
- Industry-dominating businesses in China, India and Brazil

## Investment Themes



### Rise of the Online Consumer Worldwide

- The number of internet users has doubled since 2010 to 3.5 billion and is growing at 10% per year.
- A vast opportunity exists in the years ahead: Global online purchases are growing at 17% per year, yet account for only 7% of total retail sales worldwide.
- Many of the best opportunities for investing in this theme are international, as 75% of online purchases occur outside the U.S.
- Beneficiaries include Amazon, Naspers and Alibaba.



### Expansion of Global Transportation

- The movement of people and products worldwide is accelerating because of the expansion of world trade, the emerging global middle class, and the proliferation of the Internet worldwide.
- The world's transportation infrastructure has not kept pace with rising demand. For example in India, there are currently fewer than 500 commercial passenger aircraft for 1.2 billion people.
- Beneficiaries include InterGlobe Aviation and Safran.



### Boom in College-Prep Education in Asia

- College admissions in Asia are hyper-competitive, with large numbers of students competing at early ages for a finite number of spots.
- In China, 200 million students in grades K-12 will compete for admission to top universities, with only a 3% acceptance rate versus 28% in the U.S.
- Beneficiaries include: New Oriental Education & Technology and Tarena International.

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**Objective and Risks.** Selected American Shares' investment objective is capital growth and income. In the current market environment, we expect that income will be low. Selected International Fund's investment objective is capital growth. There can be no assurance that a Fund will achieve its objective. Some important risks of an investment in the Fund are: **common stock risk:** an adverse event may have a negative impact on a company and could result in a decline in the price of its common stock; **depository receipts risk:** depository receipts involve higher expenses and may trade at a discount (or premium) to the underlying security; **emerging market risk:** securities of issuers in emerging and developing

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As of December 31, 2018, the top ten holdings of Selected American Shares were: Alphabet Inc., 8.96%; Berkshire Hathaway Inc., Class A, 6.94%; Wells Fargo & Co., 6.03%; Amazon.com, Inc., 5.52%; Bank of New York Mellon Corp., 4.85%; Capital One Financial Corp., 4.83%; United Technologies Corp., 4.61%; JPMorgan Chase & Co., 4.39%; Facebook Inc., Class A, 3.88%; Didi Chuxing Joint Co., 3.76%.

As of December 31, 2018, the top ten holdings of Selected International Fund were: Didi Chuxing Joint Co., 8.78%; Naspers Ltd.-N, 7.97%; Hollysys Automation Technologies Ltd., 6.89%; Alibaba Group Holding Ltd., ADR, 6.52%; Ferguson PLC, 5.78%; New Oriental Education & Technology ADR, 5.25%; Sul America S.A., 5.15%; DBS Group Holdings Ltd., 4.34%; JD.com Inc., Class A, ADR, 4.17%; InterGlobe Aviation Ltd., 4.11%.

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