



Rajeev Bhaman, CFA
Director of Global Equities
OFI Global Asset Management Inc.

P&I: In looking for long-term growth, you argue for taking a very broad perspective. What does that look like in practice?

Rajeev Bhaman: Today's obsession seems to be with the very near term, whether it's one month, three months, six months or one year. That is a very crowded game to play. Essentially, you have a lot of people out in the market trying to play 'Snap.' At the end of the day, the victor is likely to be the ultra-fastest person, or a machine running an algorithm. On that kind of short-term horizon, I don't think we are in any way meaningfully advantaged as an investment manager.

We believe that a lot of people spend too much time deciding whether a particular stock is 5% overvalued, or 10% undervalued. I don't try to make such distinctions. In my view, this type of analysis offers very little reward to the long-term investor.

Instead, we focus on opportunities where we have a strong conviction about the probability of the stock price doubling within three to five years. Those kinds of opportunities tend to be more rewarding, and more relevant to our philosophy, given our long-term shareholder orientation. It's also worth noting that most market participants ignore that long-term horizon.

I believe we are advantaged when thinking about the longer term, so that's where we focus. That's where we put our resources. It's also why we seek out growing companies. If you focus solely on the value of a stock relative to some putative fair value, and you're wrong, and on top of it the business is not growing, then you're going to be wrong forever with no growth to bail you out. In that way, focusing on long-term growth can help maximize opportunity.

P&I: With so many worrisome headlines, what's your view about global growth, and where are you finding growing companies?

Rajeev Bhaman: Our logic is that we want to be in the portions of the economy that are growing in size relative to the overall economy – what we call areas of 'structural growth.' These sectors thrive on strong increases in demand, based on trends like increasing affluence or an aging society or new technological demands or some other structural changes going on in the world. Such shifts can provide tailwinds for the sorts of companies

Focus on the horizon, not on the waves

Rajeev Bhaman, CFA, Director of Global Equities for OFI Global Asset Management Inc., argues that taking the broader view — a larger opportunity set and longer time horizon — is the best way to monetize global growth.

we're interested in. So even if global economic growth is slow, these segments of the economy should grow faster than the global economy overall.

One example that comes to mind, and is well documented, is the demand for health care services as people get older. People's consumption of health care can double or even triple as they age from 40 to 60 to 80. And as society ages, the numbers of elderly people grow relatively faster than the rest of the population. The demand for services, everything from drugs to joint replacements, will grow much faster than in past decades.

But also consider structural shifts around new technologies like cloud computing. It has been a hot topic for several years, but in reality, a majority of companies have only started dipping their toe in the water. We believe movement to 'the cloud' is in its very early stages, and even in a world with no growth, cloud services could see tremendous growth because they can transform the way people do business. Costs should come down. Delivery speeds should improve. Errors should be fewer. Complexity should be reduced. That will be a game changer for a lot of industries. And in our view, companies that are able to provide cloud services or help businesses move to the cloud are highly advantaged.

Ultimately, investors need to remember that global statistics lump together regions and economic sectors that are growing very quickly with those that are growing slowly or not at all. Within that aggregate, structural trends will still fuel strong demand growth in specific markets over the coming decade – benefiting specific companies – regardless of whether global economic growth is 2% or 1% or even 0%.

P&I: In the short term, that kind of approach can lead to views that go against market sentiment. Does that make you a contrarian?

Rajeev Bhaman: I think labels often obscure more than they reveal, and I am very uncomfortable with labels generally. But the word contrarian feels like it fits. I'm not very comfortable in crowds. In general I would say that I'd rather be where people aren't than where people are.

On our team, we also have this notion where we say, 'Imagine a different future.' Within the short-term versus long-term dynamic, too many investors are biased toward believing that the current short-term state of affairs is going to last forever. On our team, we question that every day, and it helps us to put into perspective the probability of things remaining or not remaining the same. For example, five or seven years ago the market expected little to no growth in implants or reconstructive surgery or other expensive cutting-edge medical technology, because volumes were not growing. That market sentiment turned out to be wrong.

And so often when stocks have an opportunity to double, it is because there is this kind of controversy about them. People don't believe in the growth opportunity, or they think that the company has made fatal mistakes. People fall out of love with an idea and are unwilling to look at the

opportunity at all, even with a different perspective. Yet rarely do negative circumstances last for very long periods of time. And it's often in times of stress that growing companies are available at prices that are reasonable. So that's the perspective we take when we make decisions. We believe investors are much better off focusing on the horizon rather than on the waves. Taking a broad, long-term view gives you a degree of stability in your thinking.

P&I: You mentioned 'reasonable prices.' Where does value fit into the picture for growth investors today?

Rajeev Bhaman: Our team is oriented toward growth, and we are thematic in our investment orientation, in that we look at structural forces that we believe drive long-term opportunity. But I don't believe anyone can be a professional investor without having a serious consideration for value.

P&I: Why do you think equities are a good place to be right now relative to other asset classes?

Rajeev Bhaman: I think we're in a compelling period. Of course there are many, many concerns in the world. Then again, there always are. I believe there are fewer concerns today than at almost any time in the past, despite the fact that we see horrible news headlines every day. It's just an economic reality that bad news sells more.

The thing to focus on is what's really relevant. First, that's the horizon. I believe that the future is brighter than the past. Which means that equities are still a very good place to put money: better, I think, than bonds, cash or real estate. This is an asset class, and an investment dynamic, that actually does make sense. And I don't offer that optimism in a Pollyanna-ish way. Equity investors face many risks. Political winds are shifting toward higher taxes and regulations on corporations, as well as more restrictions on trade. But overall, we believe that human ingenuity, in general, tends to trump circumstance.

Second, we believe that there's much value in thinking about the world as one opportunity set. Increasingly, that's a rational way to look at it, and we make portfolio construction decisions based on the world as one market. I think one makes better decisions that way.

We are not trying to figure out what we want to own in the United States and what we own elsewhere. We take the approach that we want to be in the best place possible and choose from the best ideas the world has to offer. Sure, the news about much of the rest of the world is negative at the moment compared to the U.S., but that doesn't mean the future opportunity in other regions is worse. They have younger populations. Their wages are growing faster. They consume less than the U.S., so the growth opportunity is higher. We see a lot of positives in fantastic new technology, growth in innovation by leaps and bounds, and a much more connected society across the world.

That is an enormous opportunity set. I find it all wildly exciting, and I think it will provide massive support to global growth and equities over time. ❖

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Worldwide AUM \$213.4 (\$Billion)*

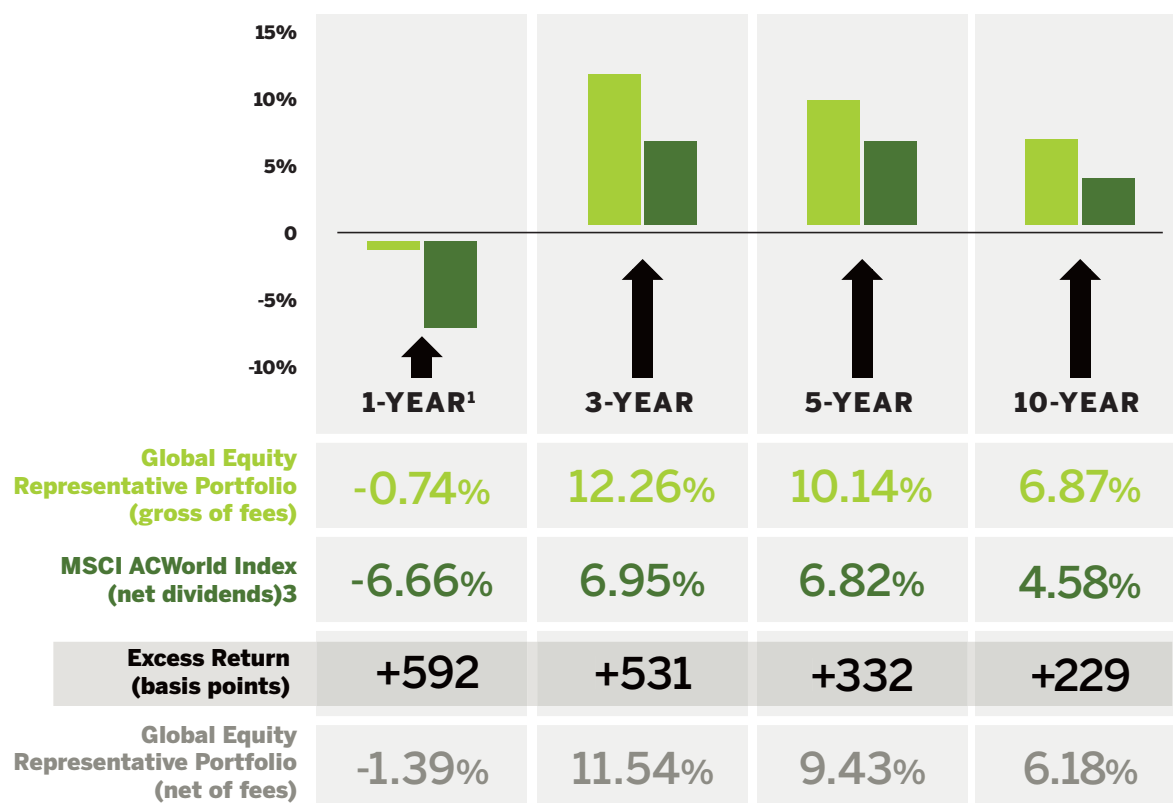
AS OF SEPTEMBER 30, 2015



OFI Global®
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Annualized Returns²

As of September 30, 2015

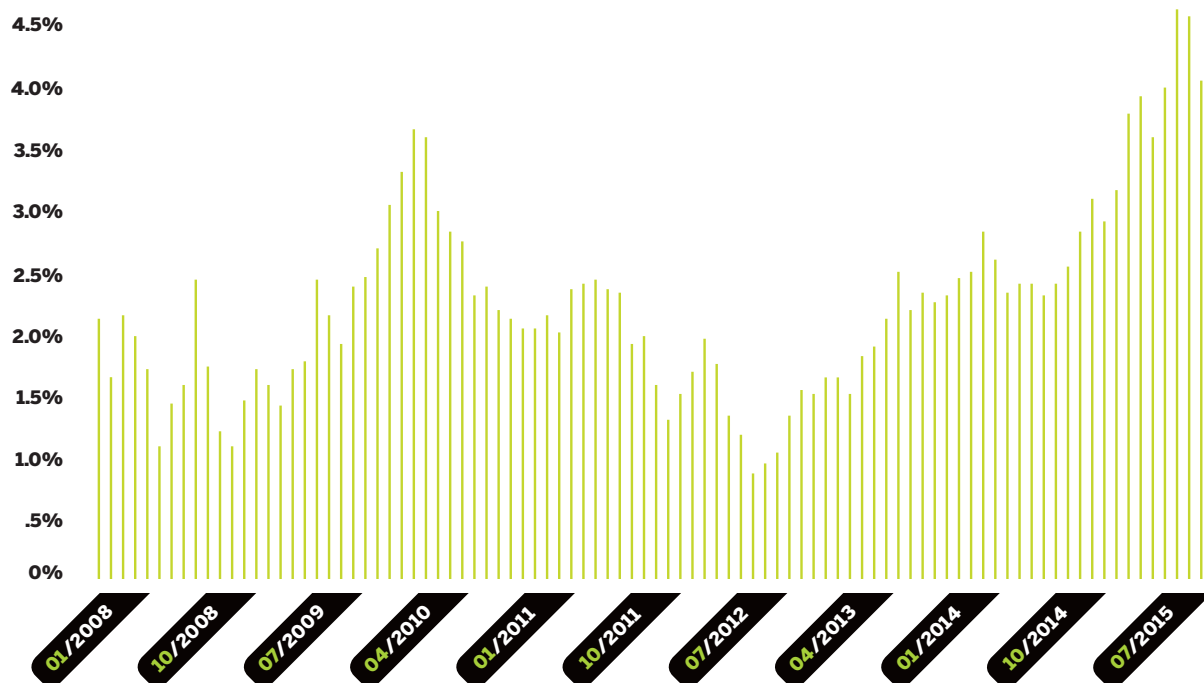


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Global Equity Representative Portfolio's Rolling 7-Year Excess Returns vs. MSCI ACWI

As of September 30, 2015



The representative portfolio gross-of-fee returns are calculated by adding the mutual fund's Class A operating expenses (including management fees and distribution expenses) to the Class A net returns.

Past performance is no guarantee of future results.

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