

# Active is: Investing to enable the next wave of innovation

10/06/2019



## Summary

Disruption is impacting all industries as societal shifts drive innovation. We believe active managers are best equipped to help clients navigate this changing landscape, but to do so, it is imperative that they stay ahead of disruptive trends in all sectors.

### Key takeaways

- Disruption is not restricted to tech firms and is affecting all industries
- Companies are broadening their remit and embracing areas outside their recognised sectors
- Societal evolution focused around the younger generation's shifting expectations is driving disruption
- Innovative thinking is required to protect firms from evolving digital threats

Few companies, industries or sectors will emerge unscathed from the current wave of disruption. New technologies such as artificial intelligence (AI) and machine learning are causing companies to rethink their business models.

While the early impacts of these innovations were predominantly confined to the technology sector, their wide-ranging uses are now spreading, sometimes blurring the boundaries between industries and creating opportunities for investors. For example, tech companies have reached into the automotive and health-care industries, and cyber-attacks exploiting digital technologies have businesses in all areas increasingly vulnerable.

It all adds up to a rapidly changing landscape that we believe can be best navigated with an active investment approach. Indeed, our recent independent research of institutional investors showed that 71% believe active managers are better equipped to manage the market risks caused by digital transformation.

## Disruption is being felt in boardrooms

The speed of disruptive change is unrelenting, as reflected in the turnover of companies in the stockmarket. The average company's lifespan on the S&P 500 Index, for instance, stood at 60 years in 1960, according to disruption specialist consultancy Innosight. By 2016, that lifespan had fallen to 24 years – and it is now expected to shrink further, to 12 years by 2027.\*

As asset managers, it's our job to enable our clients to take advantage of this evolution and separate the winning companies from the also-rans. We seek out those firms with the potential to embrace or pioneer new technologies, identifying those that we think will come out on top. Our investment also helps ensure their continued growth, enabling them to keep innovating – and disrupting.

In addition, our active style means that we don't focus solely on strengths: we analyse all potential investee companies' existing business models to identify those that are most at threat. When we find areas in need of attention, we highlight them as part of our practice of continually engaging with every company we invest in.

## Lines between sectors are being blurred

Our search for opportunities relating to disruption isn't confined to traditional tech firms. The financial-services and health-care sectors, which already collect millions of data points, are probably best-placed to take advantage of new technologies. But that's just the start. Even those industries that might be less obvious candidates for a technological revolution – like construction or agriculture – are being transformed.

And new technology has brought a blurring of boundaries across sectors. For example, what we think of as a technology company may see its focus evolve to embrace something completely different. Some tech firms have already reached into the health-care field. The latest smart watches are equipped with health-monitoring features that can detect an irregular heartbeat and even contact emergency services if needed. Other tech firms are playing as big a role as automobile manufacturers in the development of self-driving cars.

## Keeping pace with societal change

Beyond these changes, we see disruption manifesting in other ways. For instance, innovation is as likely to be driven by consumers as the companies that serve them.

Notably, social and generational shifts are having an impact, particularly as the way young people want to spend and invest evolves. Raised in an “always-on” technological environment, millennials (born between 1981-1996) and Generation Z (born between 1997-2017) are more open to emerging social trends, willing to embrace technology-led services such as robo-advice, and demanding of round-the-clock service. Companies must adapt to win the business and loyalty of this new generation of customers.

Allianz Global Investors actively looks for these trends using our comprehensive, collaborative research process. For example, our investment professionals tap our global research platform – including proprietary research from our Grassroots® team – to assess what's really happening inside a company. This helps us invest in firms that we believe have the best long-term potential. What's more, our ongoing relationship with these companies gives us the opportunity to influence their strategy and enhance their longevity.

## Technology to protect businesses

Beyond powering businesses' development, technological innovation is essential for protecting companies from evolving digital threats. Cybersecurity, for instance, has raced to the top of the boardroom agenda, thanks to many high-profile breaches.

As an active manager, we engage with the companies we invest in to detect and address any vulnerabilities: do companies truly understand the underlying risks they face, and are the right mitigation measures in place? How will they communicate a breach to their customers, and do they have the expertise to manage any crisis and maintain trust?

As companies become increasingly vulnerable to malicious disruption, an active-management approach designed to uncover hidden risks becomes more critical than ever.

## The asset-management industry must adapt

As disruptive forces extend across the business world, the asset-management industry itself is also undergoing huge change, and this is reflected in our own internal processes as much as in our outward-facing business.

For example, in the information age, active managers can process data more efficiently than ever, giving them an unprecedented level of insight. That's why we have made AI an integral element in how we conduct research, which has enhanced our own investment decisions.

And investors agree with this approach: 61% of our institutional respondents believe active managers are better at taking advantage of AI and big data to capture market opportunities.

We don't envisage that AI will replace the human aspect of portfolio management. Rather, it will augment the work already being done, including enhancing our research abilities, enabling our human managers to work smarter.

Above all, AI will further improve our ability to assess the impact that technology will have elsewhere, directing our future investments and driving continued disruption in all sectors.

*This article is part of an ongoing series that explores our vision for active asset management – as an evolving partnership between investors and asset managers – as we answer the question: **Why active?***

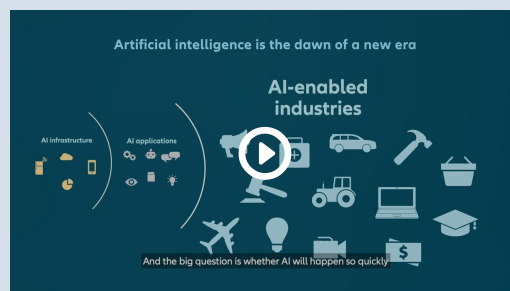
\*Source: Innosight.

Investing involves risk. Investing in a limited number of issuers or sectors may increase risk and volatility. The value of an investment and the income from it will fluctuate and investors may not get back the principal invested. There is no guarantee that actively managed investments will outperform the broader market. Past performance is not indicative of future performance. This is a marketing communication. It is for informational purposes only. This document does not constitute investment advice or a recommendation to buy, sell or hold any security and shall not be deemed an offer to sell or a solicitation of an offer to buy any security.

The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. Certain data used are derived

### The opportunities within disruption

The world is changing rapidly as disruption impacts every sector. An active management approach is essential to make the most of the opportunities, while managing the threats inherent in this technological and social shift.



from various sources believed to be reliable, but the accuracy or completeness of the data is not guaranteed and no liability is assumed for any direct or consequential losses arising from their use. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted.

Grassroots® Research is a division of Allianz Global Investors that commissions investigative market research for asset management professionals. Research data used to generate Grassroots® Research reports are received from independent, third-party contractors who supply research that, as far as permissible by applicable laws and regulations, may be paid for by commissions generated by trades executed on behalf of clients.

This material has not been reviewed by any regulatory authorities. In mainland China, it is used only as supporting material to the offshore investment products offered by commercial banks under the Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations. This communication's sole purpose is to inform and does not under any circumstance constitute promotion or publicity of Allianz Global Investors products and/or services in Colombia or to Colombian residents pursuant to part 4 of Decree 2555 of 2010. This communication does not in any way aim to directly or indirectly initiate the purchase of a product or the provision of a service offered by Allianz Global Investors. Via reception of his document, each resident in Colombia acknowledges and accepts to have contacted Allianz Global Investors via their own initiative and that the communication under no circumstances does not arise from any promotional or marketing activities carried out by Allianz Global Investors. Colombian residents accept that accessing any type of social network page of Allianz Global Investors is done under their own responsibility and initiative and are aware that they may access specific information on the products and services of Allianz Global Investors. This communication is strictly private and confidential and may not be reproduced. This communication does not constitute a public offer of securities in Colombia pursuant to the public offer regulation set forth in Decree 2555 of 2010. This communication and the information provided herein should not be considered a solicitation or an offer by Allianz Global Investors or its affiliates to provide any financial products in Panama, Peru, and Uruguay.

This document is being distributed by the following Allianz Global Investors companies: Allianz Global Investors U.S. LLC, an investment adviser registered with the U.S. Securities and Exchange Commission; Allianz Global Investors Distributors LLC, distributor registered with FINRA, is affiliated with Allianz Global Investors U.S. LLC; Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin); Allianz Global Investors (Schweiz) AG, licensed by FINMA (www.finma.ch) for distribution and by OAKBV (Oberaufsichtskommission berufliche Vorsorge) for asset management related to occupational pensions in Switzerland; Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424, Member of Japan Investment Advisers Association and Investment Trust Association, Japan]; and Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan.

864120

## Want to view more?



### Why active?

Integrating ESG into fixed-income investing

→ [DISCOVER MORE](#)

05/12/2019



### Why active?

Preparing for impact

→ [DISCOVER MORE](#)

27/11/2019



### Why active?

Winning hearts and minds with thematic investing

→ [DISCOVER MORE](#)

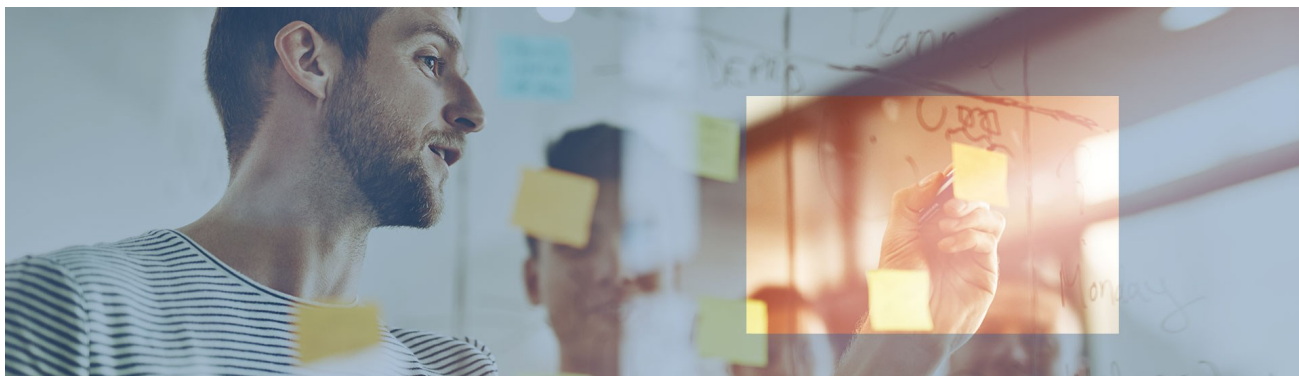
01/05/2019



Active is: Quantifying the value of active

## Measuring how active managers are

15/07/2019



## Summary

How “active” is active asset management? There are a number of variables that investors can use to assess how active their portfolio is – including so-called active share – but what ultimately matters is the quality of a manager’s decisions and the alpha they generate.

### Key takeaways

- The concept of measuring the “activeness” of an investment strategy has gained considerable prominence among investors over the past decade
- Active share is a popular way of identifying managers who might be sticking too closely to their benchmark, but there’s not necessarily a link between a fund’s active share and outperformance of its benchmark
- Active share is one of a number of metrics that should be used collectively to create a holistic picture; none should be used in isolation

↓ [LOAD MORE](#)

## Disclaimer

**Investing involves risk.** The value of an investment and the income from it will fluctuate and investors may not get back the principal invested. [\*] Past performance is not indicative of future performance. This is a marketing communication. It is for informational purposes only. This document does not constitute investment advice or a recommendation to buy, sell or hold any security and shall not be deemed an offer to sell or a solicitation of an offer to buy any security.

The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. Certain data used are derived from various sources believed to be reliable, but the accuracy or completeness of the data is not guaranteed and no liability is assumed for any direct or consequential losses arising from their use. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted.

This material has not been reviewed by any regulatory authorities. In mainland China, it is used only as supporting material to the offshore investment products offered by commercial banks under the Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations. This document does not constitute a public offer by virtue of Act Number 26.831 of the Argentine Republic and General Resolution No. 622/2013 of the NSC. This communication's sole purpose is to inform and does not under any circumstance constitute promotion or publicity of Allianz Global Investors products and/or services in Colombia or to Colombian residents pursuant to part 4 of Decree 2555 of 2010. This communication does not in any way aim to directly or indirectly initiate the purchase of a product or the provision of a service offered by Allianz Global Investors. Via reception of his document, each resident in Colombia acknowledges and accepts to have contacted Allianz Global Investors via their own initiative and that the communication under no circumstances does not arise from any promotional or marketing activities carried out by Allianz Global Investors. Colombian residents accept that accessing any type of social network page of Allianz Global Investors is done under their own responsibility and initiative and are aware that they may access specific information on the products and services of Allianz Global Investors. This communication is strictly private and confidential and may not be reproduced. This communication does not constitute a public offer of securities in Colombia pursuant to the public offer regulation set forth in Decree 2555 of 2010. This communication and the information provided herein should not be considered a solicitation or an offer by Allianz Global Investors or its affiliates to provide any financial products in Brazil, Panama, Peru, and Uruguay. In Australia, this material is presented by Allianz Global Investors Asia Pacific Limited (“AllianzGI AP”) and is intended for the use of investment consultants and other institutional/professional investors only, and is not directed to the public or individual retail investors. AllianzGI AP is not licensed to provide financial services to retail clients in Australia. AllianzGI AP (Australian Registered Body Number 160 464 200) is exempt from the requirement to hold an Australian Foreign Financial Service License under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order (CO 03/1103) with respect to the provision of financial services to wholesale clients only. AllianzGI AP is licensed and regulated by Hong Kong Securities and Futures Commission under Hong Kong laws, which differ from Australian laws.

This document is being distributed by the following Allianz Global Investors companies: Allianz Global Investors U.S. LLC, an investment adviser registered with the U.S. Securities and Exchange Commission; Allianz Global Investors Distributors LLC, distributor registered with FINRA, is affiliated with Allianz Global Investors U.S. LLC; Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin); Allianz Global Investors (Schweiz) AG; Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424, Member of Japan Investment Advisers Association and Investment Trust Association, Japan]; and Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan.

[\*Subject to change – depends on the content of the material which may mention certain investment instruments that involve particular risk]

Active is: Allianz Global Investors

Value. Shared.

Our firm

Insights

Capabilities

Press centre

Why partner with us

Outlook & commentary

Alternatives

A brief history

Investment themes & strategy

Equity

Inclusion & diversity

Why active?

Fixed income

Sustainability

2020 Outlook

Multi asset

[The SeaCleaners](#)

[Coronavirus](#)

[China A-shares](#)

[Our leadership team](#)

[Update Magazine](#)

[Research](#)

[Our experts](#)

[The Investment Intelligence](#)

[risklab](#)

[Careers](#)

[Podcast](#)

[Contact us](#)

[Staying active](#)



Allianz Global Investors is comprised of the [AllianzGI Affiliated Entities](#) worldwide. Product availability will vary by jurisdiction.