



SHARING OF KNOWLEDGE  
LEARNING SERIES 2023

# Reinventing Globalization

## Navigating the New Investment Regime



The Sharing of Knowledge Learning Series (SOKLS) offers current and prospective clients of TD Asset Management Inc. an opportunity to hear our thought leaders discuss some of the most important current topics in the world of investing. We held the 20<sup>th</sup> edition of our flagship annual event in 9 cities – Vancouver, Calgary, Regina, Edmonton, Saskatoon, Quebec City, Montreal, Winnipeg and Toronto.

The theme of this year's SOKLS was **Reinventing Globalization: Navigating the New Investment Regime**. The event focused on two key areas:



## Globalization as we know it is gone

Globalization peaked with the 2008 Global Financial Crisis, which caused pushback against hyper-globalization and the primacy of markets and U.S. leadership. Other more recent drivers have also put globalization under pressure: a more assertive, nationalistic China under president Xi Jinping; the COVID-19 pandemic, which has disrupted global supply chains; and the Russian invasion of Ukraine, which has underscored that energy security is national security. As a result, the world is no longer flat.

In yesterday's globalized age where location didn't matter, the focus was on efficiency, specialization and comparative advantage. Today, however, governments and companies are emphasizing security and supply chain reliability. Still, no single country can do everything by itself, so it's critical to have multiple reliable trading partners.

This deglobalization trend means that higher capex and labour costs and elevated volatility are on the horizon – as well as higher costs of capital, lower potential growth and greater government involvement in the economy.



# Investment implications for the new regime

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Amid the historic changes in the current investment environment, portfolio construction needs are expanding to incorporate additional diversification and to enhance nimbleness. The importance of diversification across asset classes will remain essential. Increased complexity will arise from the need for a broader opportunity set within asset classes, as the new landscape will cause large and more dramatic rotation between leaders and laggards over time. An ability to respond to shifting structural dynamics with multiple levers will create risk management and return opportunities for investors.

Equity diversification will hold particular importance, since the asset class provides adaptability in response to rapid changes and an opportunity to

generate alpha across a wider range of market conditions. Achieving the right mix of styles, however, requires a nuanced approach and a deep understanding of factor exposures across all asset classes within a portfolio.

While underlying equity managers will always be asked to stick to a discipline, from a total portfolio perspective, investors may be well served by moving away from a set-it-and-forget approach to underlying allocations. Properly implemented, equity style diversification has the potential to help investors build cohesive portfolios that are well-aligned with their objectives and are more responsive to market dynamics.

## For more detail

To learn more about these topics, check out our recent articles on globalization and multi-strategy equity portfolios:

- [Reinventing Globalization Part I: Playing the Movie in Reverse >](#)
- [Reinventing Globalization Part II: Unlearning Lessons Taken to Heart Since the 1980s >](#)
- [An Asset Allocator's Guide to Multi-Strategy Equity Portfolios >](#)



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