

## VIDEO

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# Focus on Funds: Managing Assets During Geopolitical Uncertainty

Focus on Funds

## Managing Assets During Geopolitical Uncertainty

As markets around the world react to political and economic uncertainty, the fund industry's skill at financial analysis can help manage the turmoil. The June 17, 2016, edition of *Focus on Funds* offers some advice from noted geopolitical risk management expert Kevin Kajiwarra.

### Transcript

**Stephanie Ortbals-Tibbs, ICI Director, Media Relations:** In a world filled with political and economic uncertainty, how should those in the fund industry respond? At ICI's General Membership Meeting, we got some key takeaways about how money managers can cope in today's environment.

**Kevin Kajiwarra, Co-president, Teneo Intelligence:** You know, frankly, the number-one thing is to remain open to the fact that politics matters to market outcomes. And, quite simply, to incorporate that kind of thinking into your portfolio analysis. It is a highly volatile world on a day-to-day basis. You have to not just be aware of what's going on on the front page of newspapers and what's coming across your Bloomberg screens every day, but thinking about it in the bigger and longer-term context. And the reality of it is that, historically, this has not been something that has been systematically thought about. We think, "Hey, I've got this!" in a sense, but you need to bring the same analytic tools to understanding what motivates and what constrains political actors in other markets to take the actions that they do, because they are going to impact markets in a fairly profound way.

In the U.S. presidential election, as an example, we're rapidly coming to the point where there's one of two choices. So you start to think about what do we know about a Hillary Clinton presidency and what do we not know, and the same thing about a potential Donald Trump presidency. And that the delta of the part that we don't know is that we have to think about, and adjust to. In some cases, there might not be an ability to, and in some cases there might be industries or companies or individual stocks that are actually well positioned to be buffered against any kind of outcome.

**Ortbals-Tibbs:** There are a lot of smart, analytical, plugged-in people who are still trying

to cope with the uncertainty that they're facing both politically and economically. They're really left scratching their heads. So, in light of that, how do suggest money managers cope with the environment we're in?

**Kajiwara:** I think that doing systematic analysis of policy and political risk and whatnot is actually a worthwhile—and maybe even mandatory—exercise to go through, because when you really bring the toolkit to bear on this, the outcomes are not nearly as uncertain as you think they are. They can be narrowed down pretty quickly.

**Ortbals-Tibbs:** And the same picture is true not only in the U.S. but globally.

**Kajiwara:** Which is why I was trying to paint a picture of what was going on at a very, very high, kind of tectonic level, because then when you look at the individual issues that are playing out in a given country or between countries, if you plug that into that big macro picture, you can sort of contextualize, to a degree, what's going on.

**Ortbals-Tibbs:** So then, if you were to point people toward one trend or another to really look, something to really pay attention to, or perhaps pay less attention to, what are your thoughts in that area?

**Kajiwara:** It's so tempting to focus a lot on the Middle East. It *is* an important region of the world to watch. But from a market perspective, it pales in comparison to what's going on in China and in the South China Sea and all of that. And they should watch the trajectory of the relationship between the United States and China as we are about to head into a new presidency. So much of world growth and stability is going to be dependent on those two countries being able to maximize their potential, and they need each other to do that.

## Additional Resources

- [ICI Viewpoints: Conducting Business in a Rapidly Changing World](#)
- [Highlights from ICI's 2016 General Membership Meeting](#)

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