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Investing's 'third eye' belongs on the consumer



Tahn Sharpe August 15, 2018

in









Tassos Stassopoulos in Karhiram Kolte, Mumbai

Tassos Stassopoulos says there was a defining moment in time – 7.30pm on February 14, 2009 –when he discovered that the investment approach he'd been using his entire life was flawed.

“It was a Saturday evening in Mumbai,” Stassopoulos says, “and I had spent the whole day looking at retail outlets and companies that were potential investments. That evening, I met the chief executive of a qualitative research firm that helps companies identify growth and enter the Indian market. She said to me, ‘I’ve never met a portfolio manager, please tell me what you do.’ ”

Stassopoulos, who is managing partner of Trinetra Investment Management in London, says once he explained his investment process, the woman turned to him and said, “That is fascinating, but what you do is flawed.”

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Consumers and culture

Stassopoulos, a portfolio manager with Alliance Bernstein at the time, was deeply moved by the insight and started eschewing company valuations in favour of talking to people on the streets, embedding himself in their culture, and trying to understand the trends that would form patterns of demand.

The third eye, he explains, sees that “consumers dictate the trends, not companies”.

“We’re all trying to outsmart each other in the markets, but what we need to do is identify the long-term trends. It’s not enough just to look at the company, we need to look at the consumers and the culture,” Stassopoulos explains. “This is the methodology that the companies you’re trying to invest in are using themselves. Some do it better than others and some haven’t articulated it, but they all do it.”

Stassopoulos says that by getting to know the people who use products and what they are thinking and feeling, he can identify trends and positions.

He uses an example to illustrate the kind of research Trinetra employs.

“Assume you’re a company in India making hair oil – that’s a traditional thing that they put on their hair,” Stassopoulos says. “The company’s perspective is that they’re in a great position, there are great benefits in using hair oil, disposable income is rising, people will buy more of it and everything is good. But if you start speaking to the women on the street, they will tell you that they feel they’re getting empowered now, they’re getting an education and they need to look different. Hair oil attaches them to the past. What they actually want is shampoo to wash off the hair oil.”

A collection of values’

Stassopoulos will be speaking at the 2018 Portfolio Construction Forum Strategies Conference, to be held at Carriageworks in Eveleigh, Sydney, on August 22-23.

This year’s forum will feature 45 investment thinkers from around the world debating contemporary and emerging portfolio construction strategies in the context of the thematic question, “Are future-proof portfolios achievable?”

Stassopoulos says he will discuss how his enthographic studies work.

“We have the methodology to understand culture, which I’m going to try to teach everybody within the 25 minutes I’ll be speaking at the Portfolio Construction Forum,” he says. “Culture is a collection of values. What we call customs or rituals are these values and if you break them, it’s almost like breaking written laws. If you can understand how values will change, you can predict how a society in a country will evolve.”

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Tahn Sharpe is a Sydney-based financial services journalist with a background in financial planning. He writes on advice, superannuation, investment, banking and insurance issues, is a certified SMSF Adviser and holds an Advanced Diploma of Financial Planning. Contact at tahn.sharpe@conexusfinancial.com.au

Tahn's Profile

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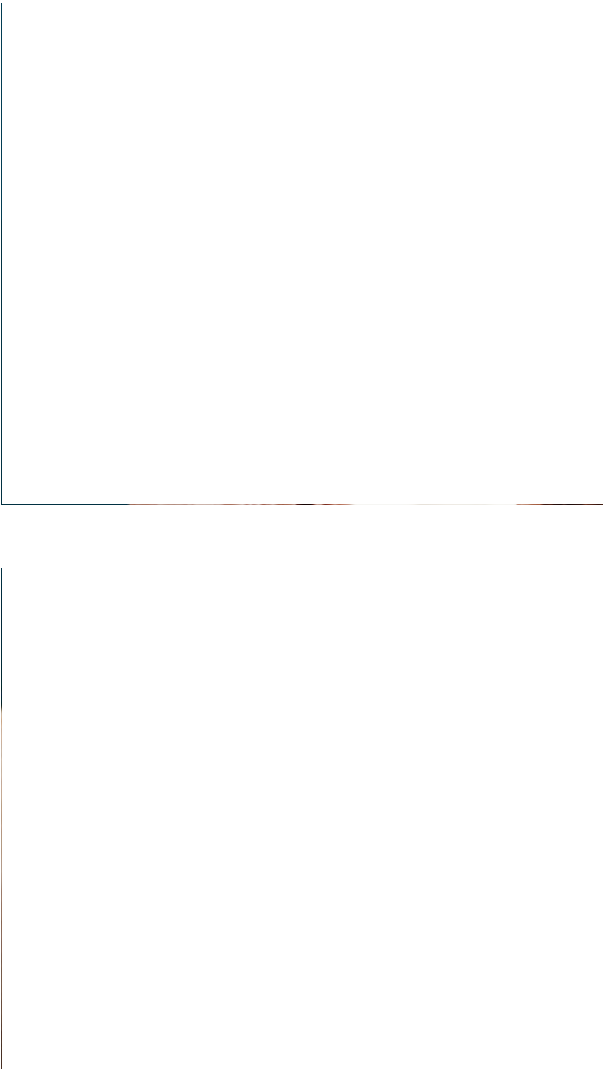
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