

Jennison Associates

Growing Opportunities

Owen Hyde, CFA – Managing Director, Equity Analyst

Mary Flaherty – Client Portfolio Manager, Large Cap Growth

Video starts

Owen Hyde: Hi, I am Owen Hyde and I'm a technology analyst here at Jennison.

Mary Flaherty: And I'm Mary Flaherty, and I'm a client portfolio manager for Jennison's large cap growth strategy.

Owen Hyde: So we've had a tremendous run in growth stocks over the past several years. How's Jennison thinking about the opportunity across growth today?

Mary Flaherty: Growth has done really, really well, especially coming out of 2022 and into 2023. I think that a lot of the reasons that growth has done well leading up to today are reasons that growth will continue to do well. And namely first and foremost is earnings. Earnings have been very strong across the board or certainly better than expected. You have valuations that have been reset. We wouldn't argue that the market is cheap, but we certainly would say that valuations are appropriate. You have an economic backdrop which is supportive of growth, namely that growth tends to outperform in a lower GDP environment and particular secular growth. And the other reason there is that all the secular growth themes that we saw in place coming into the pandemic years ago now are still in place today. And those are the things that we continue to drive the market.

Owen Hyde: I hear a lot about the Magnificent seven, clearly massive contributors to performance. How are you thinking about the opportunities within the MAG seven versus other names that are maybe in the portfolios today?

Mary Flaherty: Yeah, first I would say that yes, the MAG seven has done, those names have done very, very well, but we would make the argument that those names should have done well. They're very high quality companies. They have strong earnings revenue and cashflow growth, and the quality elements of their earnings like margins and free cashflow are very, very strong. We believe that that will continue, although some of these companies will be facing more challenges going forward. They've gotten very, very big and there are certain elements that can, they continue to grow at the same way. It doesn't mean that you don't want to still own them, but there might be better opportunities in emerging growers. And so finding the next MAG seven or finding the next set of companies that are going to be on the scene and replace them is critical for investors.

Owen Hyde: So what are some of the secular themes we're seeing within growth? Right now?

Mary Flaherty: The areas that we are finding good opportunities in growth are definitely outside of technology. One would be within healthcare, but very innovative healthcare in particular. I think a lot of people are aware that obesity is a big problem in becoming a bigger problem worldwide. And there are companies that make drugs that have been treated for diabetes for the last 20 years and are actually being used now to treat obesity. And that's a huge opportunity just in the United States. We believe that market will be over 70 billion by 2030, and that's just in the US alone. But also there are companies that are at the forefront of developing non-opioid pain medication. And the reason that that is so important is because it's not addictive. And so those are the types of areas where we're finding opportunities within healthcare. Second would be mobility, and I think that's kind of somewhat self-explanatory in terms of electric vehicles and things like that. The electrification of transportation, industrial automation is also an area and it somewhat dovetails with semiconductors and the growth. There has been a doubling of investment in the United States between 2021 and 2023 in terms of building out of factories. We also look beyond just the semiconductors themselves and into the companies that work within the factories because the power needs are very, very high. And so there's a need for cooling and power and efficiency there. And then of course, within technology, and obviously the forefront of that is AI.

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