

Columbia Threadneedle Investments

Richard Colwell - Return of Activism!

- Today, we're seeing more activism in the UK market because of the extreme valuation opportunities
- Because the stock market is assigning a very depressed valuation to certain stocks, active managers need to agitate to crystallise the value inherent in their holdings
- Active investors collectively have struggled to keep pace with the index. There's a big debate about the march of passive, but we believe we're close to a point where active managers come into their own
- On Brexit, we believe the risks are overstated and the paralysis around it gives investors an opportunity
- The UK is a very hated asset class, which is good for active investors. Brexit is not landing from clear blue sky
- Today global asset allocators are as underweight to the UK as they were in 2008-09 when our banks were going bust. It's not that bad
- Investors waiting for the UK to turn before investing need to remember that markets move very quickly
- Over the last 40 years, the UK has only been cheaper relative to the US once, back in the late 80s recession
- The yield on the UK market has only been higher once in the last hundred years - during the 1st World War
- Ever since the referendum, domestic stocks have been under pressure
- For us, it's not about trying to figure out if there will be a good or bad Brexit, but instead we are focused on the valuation arbitrage
- This is not about oil and mining stocks, however, which do look expensive
- We believe there will be more corporate activity, more M&A. There are lots of US companies looking to attack UK potential targets
- The UK market is interesting. It's not a reflection on politics, but it is about the opportunity cost
- These are exciting times to be an active investor in the UK, but investors have to hold their nerve

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