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## Dollars Without Borders

Economic nationalism is on the rise, or so the politicians would have you believe. Whether it be Brexit or Buy American or the rise of Marine Le Pen in French politics there is a large percentage of the world's population moving – politically – towards isolation. Populism is on the rise, appealing to people's more base instincts is easy: having them remember a better time, when life was easier and everyone had a job, makes for a great plank in an election platform. That time need not ever have existed for the idea to be popular. Insularity is on the rise.

Moving away from the decades-long trend of globalization may make for popular local policy, but it only serves to damage economies; capital will move to its best allocation, it knows no borders and moves around barriers with ease. It sounds like good policy, but any attempt to restrain capital is really only as effective as carrying water in a sieve.

Brexit was the will of the people of Britain in the summer of 2016. It was argued by the 'leave' group that to stay in the European Union was akin to being ruled by bureaucrats in Belgium. No longer would Britain have to make widgets that conformed to EU standards, Britain would stand apart. Except that to sell anything on the continent requires that it conform to EU standards. The popular vote left the British pound with 20% less purchasing power, and it all but guarantees the loss of highly paid – and taxed – banking jobs in the City of London. Turning away from the EU has had both short and long-term consequences. As France goes to the polls this spring, the mentions of "Frexit" have risen; the French should look to their beggared neighbours and heed their example.

Buy American, a Trumpian promise, is no less dangerous but frankly enough has been written and said about recent American politics. What has not been talked about is how corporations are virtual living, breathing organizations that learn and adapt to constraints and "walls" that politicians may try to build. The exhaustive compliance and regulatory controls enacted after the Financial Crisis saw financial companies adjust, pivot and move forward. The U.S. financials services ETF – the XLF – doubled over the ensuing seven years, rising more than 10% annualized. Another example is President Obama's best efforts to promote wind and solar energy, tarnishing the reputation of anything fossil fuel; none of this served to stop big oil celebrating some of its most profitable years.

Politicians will make promises, and sometimes even ill-considered policy, they cannot help themselves. As professional investment managers there is a very important message in all of this to convey – we invest in companies, not countries. Countries have negotiated trade agreements among themselves to benefit business and their people for centuries, leading to unprecedented growth and advancement. Great global companies do transcend borders, they evolve and create markets and products and, thankfully, they outlive the frailties and eccentricities of governments. To discover those great companies, deep fundamental research is more important than ever.

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