

GLOBAL THOUGHT LEADER SPOTLIGHT

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STEVEN NGUYEN

Fundamental Portfolio Manager
Causeway Capital Management LLC



“In my role as a Fundamental Portfolio Manager at [Causeway Capital Management](#) I share responsibility for portfolio management and research relating to our fundamental value strategies, including our Global Value strategy. I am one of eight fundamental portfolio managers responsible for bottom-up stock selection, with direct research oversight of the following sectors and industries: Utilities/Renewables, Business Services and Health Care.

“I focus on idea generation within my areas of research coverage as well as collaboration with other portfolio managers to construct a portfolio that seeks to maximise risk-adjusted returns for our clients. This view of risk-adjusted returns is based on Causeway’s proprietary rank sheet, comprised of inputs from both our fundamental and quantitative research teams. Some of the key themes that we are monitoring in both the near-term and longer-term include:

- 1) ***A weaker corporate earnings environment*** - We monitor the corporate earnings climate from a bottom-up perspective, observing that different companies in different sectors and regions will experience varying degrees of earnings impacts from sharply higher interest rates being applied by global central banks in order to curb inflationary pressures. In some markets or sectors, equity valuations appear to have reflected this risk already, while in other areas valuations imply less conservatism;
- 2) ***growth vs. value implications of a higher normalised interest rate environment*** - Longer-term, even after the completion of this current macroeconomic cycle, interest rates may settle at higher levels than the prior decade, which we believe should increase the attractiveness of value stocks, generating meaningful near-term cash flows, relative to growth stocks with elevated



valuations, reflecting the prospects of much longer-term financial delivery; and,

- 3) **The multi-decade energy transition** - One example of a fundamental research theme that we are monitoring closely is the energy transition. The energy transition presents both risks and opportunities for companies across various sectors, and can create dislocations in impacted stocks that we seek to capitalise on in our fundamental value strategies. The tremendous amount of investment required across the value chain to drive global decarbonisation can be value-generative for a range of companies, particularly those in the Materials, Industrials, Energy and Utilities sectors, if these investments can garner returns above the cost of capital.

“From a cyclical value perspective, we seek to identify companies where concerns around a slowdown in economic activity already appear more than priced in, leaving attractive upside as the cycle plays out and the recovery begins. We have observed that cyclical stocks often overcorrect to the downside as economic pessimism sets in and earnings revisions turn negative. The upside to margins and cash flows during the eventual recovery also tend to be underestimated, as investors miss the positive effects of operating leverage resulting when strong management teams deliver on cost cuts and efficiencies amidst the downturn.

“From a more traditional, often restructuring-based value perspective, we seek idiosyncratic, company-specific opportunities where a stock’s valuation provides an attractive margin of safety against whatever uncertainty that is causing the stock to trade at a discount. Many companies in this category of value have been out of favour for years as pervasive low interest rates made longer-duration momentum and growth stocks more compelling. We believe that as interest rates settle at more normalized levels, such value companies will be more attractive to investors.

“In terms of longer-term structural themes such as the energy transition, we seek out companies that may benefit from the multi-decade visibility of growth afforded by such a theme, but where valuations have not over-discounted this benefit. Often, we find the intersection between value and structural growth is found in companies that themselves are undergoing a transition, such as the move away from traditional fossil fuels towards green energy. In their haste to avoid companies with high emissions, investors sometimes miss companies that are creating

significant value by investing in decarbonisation solutions.”

Steven will be presenting at Global Investment Institute’s upcoming **Equities Investment Forum**, taking place on Wednesday, 6 September 2023 at the Westin Melbourne, Victoria.

To register your interest in attending, click [here](#) or for more information email zlatan.kapetanovic@globalii.com.au.



Steven Nguyen
Fundamental Portfolio Manager
Causeway Capital Management

Steven is a director and fundamental portfolio manager at Causeway and is responsible for investment research in utilities and renewables, healthcare, and business services. He joined the firm in April 2012 and has been a portfolio manager since January 2019.

From 2006 to 2012, Steven was a senior credit analyst at Bradford & Marzec covering high yield and investment grade companies in the telecommunication services, cable, media, gaming, insurance, and REIT industries. From 2003 to 2006, Steven was a credit analyst/portfolio manager in the corporate bond department of Allegiance Capital.

Steven earned a BA in business economics from Brown University and an MBA, with honours, from the UCLA Anderson School of Management. He was the president of the Anderson Student Asset Management association. Steven is a CFA charterholder and has completed the CFA Institute Certificate in ESG Investing program.



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