# Investing in the post-pandemic boom

## *Why US growth stocks could be the answer*

As the world emerges from the COVID-19 pandemic, we continue to explore what that could mean for investors. Will there be a return to "normal" or will we face a "new normal" – and what will that look like for US companies?

In our latest Fall Exchange Event Series webinar, Phil Taller, Head of the Mackenzie Growth Team, joined Portfolio Managers Richard Bodzy and Greg McCullough from Putnam Investments to discuss the opportunities and challenges they are finding in the US equity space.

So far, 2021 has been unique, in that virtually all companies are growing versus the easy comparison of 2020. Looking ahead to 2022 and 2023, though, investors might expect a return to normalcy in terms of growth rates and quality companies will become differentiated in their returns.

Because highly levered, lower-quality companies were the most affected by the economic downturn, it's only natural that they would outperform in the early stages of the recovery, said Bodzy, Portfolio Manager for the Mackenzie US All Cap Growth Fund.

With a preferred minimum holding period of two years, he doesn't worry much about this kind of short-term market leadership.

"We're reasonably bullish on the economy and the stock market," said Bodzy, citing the pandemic recovery and accommodative policy as tailwinds. Even if interest rates rise, they will be coming off a very low starting base.

"The way we live our lives coming out of COVID looks a lot like it did before, but some of the trends have been accelerated," said Bodzy.

The Putnam team is currently watching 12 long-term growth themes, such as the growth of ecommerce and personalized medicine. Among the companies the fund holds, 90% have exposure to at least one theme, and 60% are exposed to multiple themes.

"When you think about what's going to drive economic growth over the next decade, we're going to bet on innovation and the companies that are driving efficiency," said McCullough, also Portfolio Manager for the Mackenzie US All Cap Growth Fund.

After more than a decade of growth handily beating value investing, value has excelled in the early stages of the recovery. McCullough doesn't think this will last.

"We're pretty sure that when we come out of this, we're going to see growth reclaim the mantle."

**Challenges**

Global supply chains have been disrupted, exposing inefficiencies that will need to be ironed out. Among the biggest end markets to be affected has been semiconductors, yet demand remains strong. McCullough points out that deferred demand for semiconductors may result in a slower growth, but over a longer period of time.

Inflation has become a concern, with rising prices for materials, labour and many consumer goods, Taller said. Interest rates may rise to combat inflation, but Taller said that his team already uses a "much higher" interest rate in their modeling.

However, inflation also presents opportunity. Companies that add a great deal of value will be able to exercise their pricing power and may thrive in this environment.

Also, as the cost of labour rises, many companies may accelerate their digital transformation in an effort to make higher paid employees more productive.

**Opportunities**

Taller sees several opportunities for growth, including:

Cyber security is a growth industry, as organizations move beyond traditional systems that relied on preventing access to their network. The new generation employs a "zero trust" approach, where user activity is monitored for suspicious activity.

The health care sector offers opportunity, with well-funded drug research and development for vaccines, as well as drugs for oncology and the treatment of other diseases.

The emerging competition for talent is driving growth in the childcare sector, as companies compete to attract employees. This will become increasingly important as staff returns to their offices post pandemic.

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