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Investors look to Millennials as generational shift draws closer

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Spending Boomers reaching the 'back end of their curve'

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It is becoming one of the most important economic themes in the developed world. Millennials and Baby Boomers are battling for control of society, and the rising tension the two generations exploits a lot about what's going on in this country at the moment.

Everything from anger over sky-high property prices to Sydney's lockout laws can be framed as part a wider conflict between the under-35s, or Millennials, and the Baby Boomers.

Likewise in the US, inter-generational conflict helps explain widening inequality: Millennials are underpaid and swimming in student debt, while Boomers are benefiting from relatively high asset prices – and arguably, by extension, the rising political extremism on display in this year's presidential primaries.

Millennials have eclipsed Baby Boomers in the US in terms of raw population numbers, but not yet on spending power. At some point this imbalance is going to correct itself.

Yet some investors aren't sitting around waiting for that to happen. Like Denver-based Marsico Capital. On a

recent visit to Australia, Marsico portfolio manager Brandon Geisler named the demographic shift that will see Millennials rise and Baby Boomers reach the "back end of their spending curve" as a significant theme underpinning his investing.

"If you think back to the 1990s, what was growth? Growth was technology [stocks], but it was also retail and banking, because you basically followed this demographic and you rode them up. The Baby Boomers, they levered up, they bought a bigger house, they bought two cars. And now the reality is ... they are downsizing," he says.

Boomers are still spending of course, but on things such as healthcare and travel. That has prompted Marsico, which owns a significant position in ASX-listed Dominos Pizza, to buy into stocks such as Norwegian Cruise Line, biotech company Amgen and robotic equipment-maker Intuitive Surgical.

"We ask ourselves all the time, what is that [under-35] demographic really interested in? Because that's going to be the next wave," Geisler says.

It's well documented that Millennials prefer to buy experiences rather than things; whether that is reflection of their comparatively paltry spending power or not, they are far less interested in brands and material possessions than their forebears. They spend a lot of time on Facebook (one of Geisler's biggest bets) and love travel (which helps explain a stake in Irish

budget airline Ryanair). One company that seems to effortlessly bestride both generations is Apple. After all, everyone seems to love the iPhone. But Geisler recently cut his position in the stock. He is a growth manager, after all.

"Apple could be a great cash-flow asset but we are really having a difficult time understanding how they are going to grow," he says. "All our research tells us they are obviously working on a car. We are just struggling with, how are they going to move the needle?"

Marsico, which manages \$US6 billion (\$8 billion), has been pitching its wares to increasingly global-focused Australian institutions and family offices lately.

It was founded by Tom Marsico, who famously dodged the dotcom bust, and is a growth manager with a particular focus on the technology and consumer-facing sectors. In other words, the kids of sectors that aren't particularly well represented on the mining and financials heavy ASX.

"You look at your typical value-oriented stocks, they are oriented towards [Baby Bombers]," says Geisler. "The thing that we struggle with is [that] implicit in owning those sectors [resources and financials] is you are making an argument for accelerating global growth. If you are going to own bank you think the yield curve will steepen – if you are going to own commodities you think commodity demand is going to improve."