

# P.A.C. GLOBAL INNOVATION FUND

## INNOVATION = INVENTION + VALUE

**Innovation** generates value through creation, development and implementation of new ideas, technologies, products, services and business models.

P.A.C.  
— CAPITAL —



## INNOVATION THEMES FOR P.A.C.



**Artificial Intelligence (AI)** enables machines to learn from experience, sense inputs and perform tasks in a human-like manner. The purpose of AI is to complement or replace processes undertaken by humans, with the goal of improving productive efficiency.



According to the latest annual Digital Media Trends Report from Deloitte, 26% of Generation Z listed **Video Gaming & Esports** as their favourite entertainment activity, well ahead of listening to music, web browsing, social media and watching TV/movies.



The performance and costs of **Electric Vehicles** has improved drastically in recent years. Coupled with growing public pressure to reduce fossil fuel vehicles on roads, this trend will ensure we see a huge increase in the number of electric vehicles.



As our lives have become increasingly reliant on network systems, cloud based technology and the internet the rate and severity of cyber crime has exploded. **Cyber Security** refers to the systems and processes in place to protect this electronic data.



**Blockchain** serves to improve the security, and efficiency of digital processes. The most widely recognised manifestation of blockchain are cryptocurrencies. However, this innovation can be applied to any system that requires fraud, theft, or forgery protection.



## WHY INVEST IN INNOVATION

When it comes to long-term equity investing, finding value for money is the name of the game. Whether they are disruptors or long-standing incumbents, the company's that will stand the test of time and generate substantial long-term value for investors are those that strive to innovate.



Austrian economist Joseph Schumpeter (one of the most influential thinkers on the economics of innovation), proposed two competing models to demonstrate how innovation is the driving force of economic value:



01

## CREATIVE DESTRUCTION

New firms threaten the position of existing firms by creating new and improved products, markets, sources of materials, methods of production or types of organisation.

02

## RESOURCE DRIVEN INNOVATION

Argues that large incumbents drive innovation, due to their expansive capabilities and resources.

In reality, it is not hard to find countless examples of both of these models of innovation. Well known creative disruptors like Facebook, Apple and Microsoft all shook up existing markets and generated enormous returns for shareholders. While on the other hand, companies like Volkswagen, Proctor & Gamble and Boeing have survived (and thrived) for decades. What distinguishes these highly successful businesses from others, is their ability to sustain an entrepreneurial spirit and use the resources at their disposal to create innovative products, services or production processes.

The most fruitful long-term investments usually stem from successful and resilient businesses. And the most successful and resilient businesses are those that can continually generate economic value through their innovations.