

The Big Multinationals, Maybe The Growth Companies Of The Twenty-First Century

In a recent issue, we discussed how over the last century, small cap companies have provided the highest level of growth. While we believe that this trend will continue into the next century, you should not overlook the large Multinationals. These are the huge conglomerates that have all but dominated their industries, and have balance sheets that compare to those of many countries (except that they spend less than they take in). They are what Peter Lynch referred to as the slow growers or stalwarts in his book One Up On Wall Street. These companies are major forces, but their growth has been minimal in recent years because they already hold such a large share of their markets. So until recently they could only expand by taking over other companies or diversifying into different industries. This may be about to change.

As the developing nations start to grow and develop, huge untapped markets will open. These will have incredible impact, as these countries hold the majority of the world's population. This is why Emerging Market mutual funds have become so popular. Investors have recognized this huge untapped potential. On the other hand, so have the multinationals. They have been doing international business for years, they have the resources and knowledge to tap these markets, and they are usually based in very politically stable countries like Canada and the United States. This leaves them ideally positioned to take advantage of the opportunities, without taking unreasonable risks. It also gives them one major thing that they may have been lacking for some time now, a place to grow.

So when you are looking for sound investments that will grow in the future, consider the Small-Cap's, and consider the Emerging markets, but be sure that you do not forget the Multinationals. They may not be your best short run picks, but they could easily be the growth companies of the next century.

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