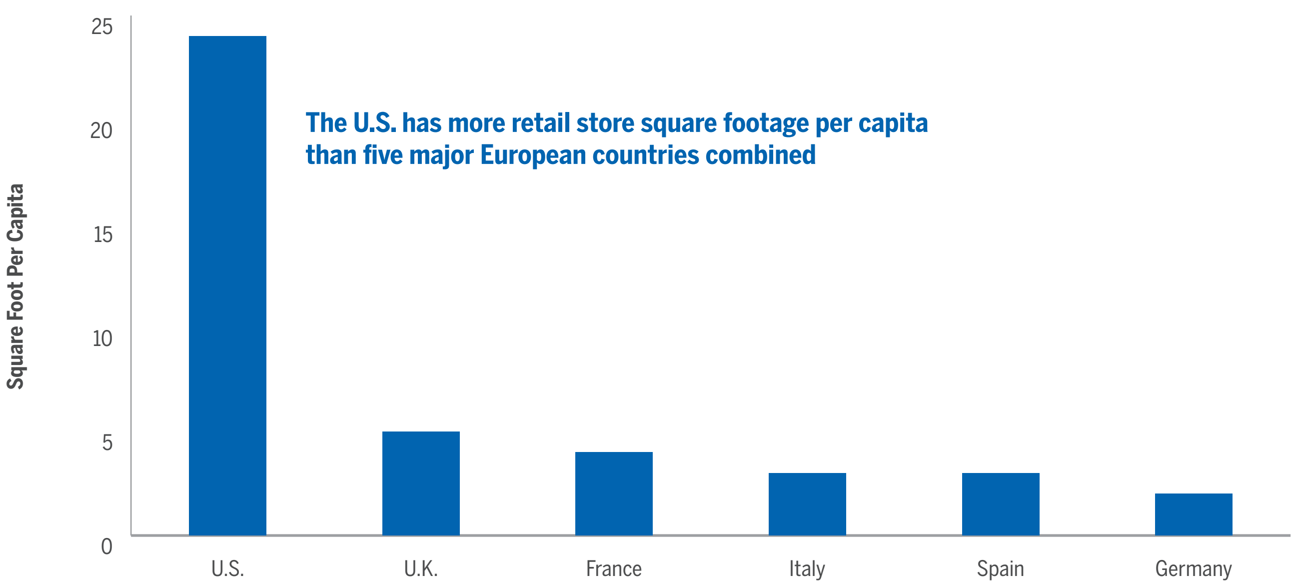
Avoid Market Pitfalls

Equally as important as focusing on what to invest in is avoiding market pitfalls. Traditional brick-and-mortar retail, under stress from excess square footage and e-commerce competition, is one example.

Time to Hit the Bricks? *(Shopping Center Square Foot Per Capita)*



Source: General Growth Properties (GGP)

- "Overstoring" in the U.S. has resulted in large numbers of closures, and nearly 1 billion square feet of space will continue to be "rationalized" in the coming years. Meanwhile, growth of e-commerce sales in the U.S in 2017 is rising, estimated to be 8-12%, up to three times the growth rate of the overall industry, according to the National Retail Federation.
- Adding to brick and mortar's woes are possible political actions and border taxes in the form of tariffs that may raise costs and squeeze margins.
- Some investors—in fact, many in passive portfolios—may not even be aware that they have a material portion of their assets invested in this area of the market.
- Investors should consider the long term implications of this trend by analyzing their portfolios for hidden risks of brick and mortar investments versus opportunities in e-commerce such as online merchants, digital advertising firms and parcel delivery companies.

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