DALLAS
BUSINESS JOURNAL

Lear Investment Management's Rick Lear discusses theme-based investing during the downturn

Rick Lear is founder and managing partner of Lear Investment Management.
JAKE DEAN

By Rebecca Ayers – Staff Writer, Dallas Business Journal
July 27, 2020

While Lear Investment Management did not anticipate a global pandemic would throw the market into upheaval in 2020, it projected the economy was late in its cycle and invested accordingly.

"We came into the year conservative," Lear said. "When the pandemic hit, prices dropped, then we got much more aggressive and started buying," Rick Lear, founder and managing partner of the firm, said.

The Dallas-based investment firm invests in secular themes that it believes will "drive this next decade," Lear said. The firm's main themes include the other 7 billion people, the fourth-wave technology revolution and clean energy.

"If you're invested in strong secular themes, when there is a dip, like a pandemic, those themes get accelerated," he said.

As a result, the firm's returns are at 4 percent year-to-date net of fee. The firm's goal isn't to get "crazy returns," Lear said. Instead, it's "trying to get a decent return with a controlled amount of risk."

Lear spoke with the Dallas Business Journal about thematic investing in the downturn and various opportunities.

Your firm is focused on investing in themes, How has your firm benefited from the investment strategy in this economic downturn?

There are all these business models that, when there is a recession, are they going to go bankrupt? Or are they going to thrive in this recession?

(For instance,) Amazon, Microsoft, Google... We didn't know that this was coming, but, because we were invested in these business models, they thrived. Investing in what you know as a strong secular tailwind in the future helps you make it through a recession.

How does this financial collapse differ from 2008?

This recession differs from 2008 and all recessions because it wasn't an economic crisis that caused it. It was a government-induced shutdown. It's just unprecedented. There wasn't a big asset bubble that blew up. In 2008, it was a housing bubble and people were way over-leveraged in our financial system. Lehman Brothers, one of the largest and oldest financial firms, went out of business.

That was a whole different ball game. This was caused by the government shutting down the economy. The other big thing is learning from 2008, the Fed and the Treasury came out of this big and fast, meaning they put backstops in place early to make sure the financial system was supported.

What other investing opportunities are there currently?

We've been investing a lot in homebuilders. 2008 was a housing crisis, so homebuilders got crushed. As soon as things in 2020 started to go sour, people said, 'What's the playbook for 2008? We'll sell the homebuilders.' Well, this crisis is seeing people move out of the cities into suburbs. We say the thesis is the world has too much commercial office space and too few bedrooms. It's long on office space, but short on bedrooms, then combine that with interest rates and mortgage rates (are) low.

Any final comments?

Investing has changed. Every decade has its own theme of investing. The 90s had the Gordon Gekko type of thing. The guy in the blue shirt, the white collar in New York with the suspenders... Then you had the 2000s, which brought the rise of hedge funds, guys were in hoodies making billions of dollars... Then you got into 2010, and it was really the rise of the ETF – exchange-traded funds. The guys at BlackRock and those at Vanguard, those are the guys running the world.

Now, we're in the 20s. What are the 20s going to look like? We think it's this new brand of investing: the way that we invest is theme-based, looking at the drivers of long-term themes and being tactical about moving money in and out.