What my daughter's reaction to a BlackBerry tells us about investing in megatrends

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Key Takeaways

- Themes do deliver but value concentrates in very few companies. History repeats itself: from Kodak to Blockbuster, themes succeed while most individual companies in them do not.
- In thematic investing, the cost of missing a winner outweighs the cost of holding a loser. Returns are asymmetric: a losing position can cost at most 100%, whereas a winning position can return 1,000% or more.
- Diversification is not a compromise; it is the strategy. A disciplined, broad thematic basket may give you the opportunity to hold the next Amazon before it becomes obvious.

Last summer I visited a Museum of Communication with my 12-year-old daughter. We wandered through rooms, moving from telegraphs to rotary phones and fax machines. Near the end of one gallery, a single glass case displayed two objects side by side: an iPhone and a BlackBerry. I pointed to the BlackBerry with quiet nostalgia. "When I was your age, that was the phone everyone wanted." She studied it for a moment, then giggled. "But the keyboard isn't part of the screen."

That reaction said everything. What had once been a status symbol had become an outdated curiosity. Mobile communication delivered on its promise spectacularly, but the value it created was not shared evenly. Research in Motion held roughly 20%[1] of the global smartphone market in 2009. By 2013, that share had collapsed to under 3%[1]. Apple, which launched the iPhone to near-universal scepticism from industry incumbents, went on to capture an outsized share of the entire market's profits. The theme succeeded. Most of the companies within it did not.

History tends to rhyme; investors should learn from it

What is striking about this story is how familiar it feels across almost every major megatrend.

Take photography. Kodak dominated consumer imaging for most of the twentieth century. Remarkably, it was a Kodak engineer who invented the first digital camera in 1975[2]. Management buried it to protect the film business. The digital revolution happened anyway, without them, and Kodak filed for bankruptcy in 2012.

The internet followed the same script. Yahoo was the gateway to the web for millions in the late 1990s. They had the brand, the traffic, the resources. Amazon looked like a modest online bookshop with questionable profitability. Yet Amazon grasped something Yahoo never did: the internet was not just a new medium, it was new infrastructure. Today Amazon's cloud division alone generates more profit than most listed European companies.

Same stories, more recently, with social networks or home videos. MySpace peaked at 75.9 million[3] monthly visitors in 2008. Facebook was the scrappy challenger. Within a few years, the positions had completely reversed. Netflix approached Blockbuster about a partnership when it was generating $600 million in revenue. Blockbuster turned it down. It filed for bankruptcy in 2010.

The pattern is consistent: themes tend to deliver over the long term, but equity markets are a 'Winner takes all' game. The rewards tend to flow to a very small number of companies, and those companies are rarely the ones that look safest at the start.

The maths behind the asymmetry

Here is the part that is easy to miss. Megatrends or themes are relatively easy to recognise early on. The Internet in the late 90s or the mobile phone in the early 00s did feel transformational, but identifying the future winners with confidence that early is significantly harder, if not impossible. Amazon went public in 1997 as an online bookshop valued at under $500 million[4] when Yahoo was dominant. Nvidia was a niche graphics chip maker well into the 2010s until the launch of ChatGPT made it the world's largest company. Thematic winners become obvious only in retrospect.

This is the fundamental challenge of thematic investing: the companies that ultimately capture most of the value created by a megatrend are rarely those that look like the safest bets at the start, and the cost of missing them is severe. Losers can cost you 100%. Winners can return 1,000% or more.

That asymmetry is illustrated by a simple example. A diversified basket of the 10 largest internet stocks at the end of 1998 outpaced the S&P 500 by nearly two percentage points per year over the following 24 years[5], despite only three of those companies surviving to this day. Yet any concentrated five-stock selection drawn from the same pool had a 60% chance of underperforming the market[5], simply because the odds of including one of those three survivors were so limited. The analysis suggests that missing a long-term winner can have a greater impact on returns than holding several unsuccessful companies.

What this means for thematic investing

The counterintuitive conclusion is that an overly high conviction can be a liability in thematic investing. The more confident you are that you can identify the next Apple in advance, the more likely you are to build a portfolio that misses it.

Having said that, this is not an argument for undifferentiated exposure either. Buying a broad technology index simply captures established mega-caps already and does not capture high-growth companies. That is large-cap technology exposure, not thematic investing.

A thoughtful thematic exposure combines:

- Theme alignment with a portfolio construction that is tailor-made to capture the theme
- Thematic expertise, combining rigorous research capacity with on-the-ground knowledge that goes beyond pure financial analysis
- A focus on pure players, that is, companies where a meaningful share of revenues is directly tied to the theme
- Differentiation, with low overlap to broad market and technology benchmarks
- Transparency and discipline, so that investors understand precisely what they own

The goal is a basket broad enough that the future winners are unlikely to be missing from it, yet not so narrow that a single wrong call destroys the thesis. Wherever the next Amazon emerges, it should already be there.

Back to the museum

My daughter's giggle at the Blackberry was not mockery. It was just honesty. She had grown up in the world Apple built, and from where she stood, the physical keyboard was simply a design that lost. She had no way of knowing it had once been a status symbol for an entire generation.

That is the nature of thematic disruption. The shift tends to be faster and more complete than anyone expects and the value flows entirely to the companies that define the new paradigm. For investors, the lesson is not to predict who wins. It is to make sure your portfolio is broad enough that whoever wins, you are already holding them.

While thematic investing can provide exposure to long-term structural growth trends, it also involves risks. Many companies associated with emerging themes may fail to achieve commercial success, and thematic portfolios can experience periods of significant volatility and underperformance. The future winners of a theme cannot be identified with certainty, and diversification does not eliminate investment risk or guarantee positive returns.

[1] Source: Statista, 2026. RIM's global smartphone quarterly market share 2007–2016.
[2] Source: National Inventors Hall of Fame, Steven Sasson.
[3] Source: comScore, via Bloomberg Businessweek, December 2008.
[4] Source: Investopedia, Amazon IPO history, May 1997.
[5] Sources: WisdomTree, Bloomberg as of 30/06/2023. **Historical performance is not an indication of future performance and any investments may go down in value.**

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