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On the ground, in the know

UBS Asset Management | Insights from Street View

Corporate and government data are one way of analyzing Emerging Markets (EM) but there's no substitute for putting boots on the ground, visiting the countries, speaking to companies, interviewing customers, and witnessing trends first hand.

That's why UBS Asset Management's EM Equities team travels across EM countries, interviews a wide range of people, and looks deep inside factories, farms, and stores to get unconventional insights to both test our strategies and generate new ideas.

These are just some of the insights we have collected over the years and they are particularly valuable since they allow us to position us accordingly for the future.

And our trips have taken us to locations like mines in Brazil and farms in India to give us insight that desk research just can't provide. Looking back over our travels, here are some of our most significant findings:

– **China is an innovation hub:** internet-enabled cookers and palm-sized drones were just two innovative products we saw on our trips to the Chinese manufacturing hubs of Shenzhen, Suzhou, and Hangzhou. These innovations, plus Chinese firms' commitment to R&D, proved to us that 'Made in China' now means high-tech, locally developed products. If, as is likely, this commitment to innovation continues, we will see more companies from China rising to be global industry leaders in the near future.

– **Cashless payments are growing:** demonetization in India and retail modernization in China both say a lot about the growth of cashless payments. Indian journalists and shopkeepers told us the 2016 demonetization policy shifted businesses and individuals to non-cash transactions and payment digitization. In China, we saw malls and restaurants replacing cash with mobile payments, creating monetization opportunities for payment companies and propelling total cashless transactions of USD 11.8bn between January and October 2017.

– **EM consumers are trading up:** as incomes rise, EM consumers are willing to pay more and are trading up for better quality products. That's the message we got when we visited home appliance makers and electronics stores in China, where consumers are demanding more advanced and higher-spec products as they shift to premium brands. And we saw this demand not just with white goods but also across automobile, cosmetic, and food and beverage industries in EM countries.

– **India is modernizing and reforming:** farms with advanced irrigation and greenhouses showed us how Indian farming is modernizing, which should increase farm productivity and create opportunities.

These are just some of the insights we have collected over the years and they are particularly valuable since they allow us to position us accordingly for the future, even when trends and phenomena are not wholly understood by the street.

However it's not just about visiting the countries, but having a team with local knowledge and language skills helps us truly understand what is happening on the ground. That's where our team of 25 experts drawn from across EM that speak a combined 14 different languages makes a difference in gleaning the kinds of insights that you just can't find from desk research.

And these trips will continue to be an essential part of our research process. In the past, they have given us insights which have helped drive the strong, long-term performance of our funds. And with much that is still misunderstood about EM, and significant transformations still to come, we expect our boots-on-the-ground approach to continue giving us an edge in the future.

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