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## READING ACROSS OUR COMPANY RESEARCH

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Our research approach is multifaceted. It includes desk-based research, qualitative and quantitative analysis. Discussion and debate amongst the Research team is another critical element. So too is engaging with companies and other experts to inform our understanding and challenge our assumptions.

We don't only speak to the company we are researching or monitoring, we will also meet with its customers, competitors and suppliers. As global investors, we can crosscheck our regional company research with global peers. Many global businesses use SAP solutions for example, so we can quiz other management teams on their satisfaction, trust and dependency on SAP.

Similarly, a company like Kuehne & Nagel (K&N) works with many major corporations across the world. That allows us to cross-reference what K&N might say about their customer proposition with their end clients and, most recently through the dramatic increase in shipping costs seen from 2020 to 2022, we were able to compare what both sides were communicating in regard to what was a critical issue for many companies.



**FIONA MACRAE**  
Investment Manager



We also often meet with direct competitors. For example, in March, we met with the new CEO of Prudential and just a few days later several of the same members of our team met with the CEO of AIA, Prudential's closest competitor. These meetings not only allowed us to quiz management on any issues resulting from events in the banking sector, but also reaffirmed our belief in the opportunities across Asia for both these companies.

Likewise, a call earlier in the first quarter with Nike informed our thinking about Adidas and the challenge ahead for its new CEO as the company tackles significant inventory issues and the financial fallout of the termination of its partnership with Yeezy.

A separate call with the JD Group, one of the largest retailers of branded sporting goods with 3,300 stores in the UK and internationally, provided further colour on Adidas's supplier relationships; Adidas is JD Group's second most important brand and so an important part of JD's targeted double-digit revenue growth in the next five years.

Regular research trips around the world can also be important in informing our thoughts on companies in other regions. In March, two members of the team spent two weeks in India with an itinerary built around 30 meetings across five cities. One of those meetings was with ICICI Prudential Life, the leading private life insurance company and a joint venture between domestic bank ICICI and London-listed Prudential.

A meeting with HDFC Life further added to our understanding of the market opportunity in India and, for Prudential, the opportunity for it through ICICI Prudential Life. Growth in this market is not only underpinned by the ongoing formalisation and liberalisation of India's economy but also mandated regulatory change,

alongside tax changes, that will facilitate greater penetration of financial products.

These changes, together with India's remarkable demographic tailwinds, could create substantial opportunity for companies like ICICI Prudential Life with the scale, reach and expertise.

*“A research trip to the US in February also provided valuable insights for non-US companies”*

The trip also included a meeting with United Spirits, India's leading alcoholic beverage company which majority owned by another European corporate leader, Diageo. In recent years, United Spirits has made significant improvements in its governance and operational processes and, thanks to Diageo's oversight, the company is now well-placed to make the most of the liberalisation of India's consumer economy, and the sheer scale of that consumer market. The company is particularly focused on the prestige segment, maximising the strength of Diageo's portfolio of global brands.

Meetings with Adani Green Energy and Adani Total Gas were also of notable value given the recent controversy around the Adani Group holding company and TotalEnergies' investment in both these subsidiary companies.

A research trip to the US in February also provided valuable insights for non-US companies with exposure to the global semiconductor ecosystem. Members of our Research team travelled from San Francisco to Austin, Dallas and then Washington DC, meeting with equipment manufacturers as well as electronic design automation leaders, chip makers and software companies.

During the final stop in Washington DC, there was a meeting with the

Semiconductor Industry Association, and another couple of meetings with people in and around the congressional committees working on these topics. These were a chance to discuss the US Chips Act and share different views about the connected nature of this industry and the key players at every stage, with a focus on understanding the strategic importance and leadership of a European business like ASML.

*“The concerned rhetoric that we heard on Capitol Hill stood at odds with the pragmatic calmness of the companies we met on the trip”*

The concerned rhetoric that we heard on Capitol Hill stood at odds with the pragmatic calmness of the companies we met on the trip and others with whom we regularly discuss the industry. Leading companies across this field have long had to operate in an uncertain environment and are accustomed to the often emotive and politically motivated language around the industry. The fact that emotions run so high not only reflects the importance of this industry and its leading companies but also the scale of the long-term growth outlook.

This 'read across', be it from company meetings or research trips, is something we consider extremely important. The team might be divided into regional groups but many champion stocks across regions, and individuals are deliberately rotated so that, over time, everyone can bring a global perspective to finding the very best companies regardless of their domicile.

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*This article is an edited version of our monthly commentary on European equity markets from March 2023.*



## **IMPORTANT INFORMATION**

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