

How to think big in Asia ex-Japan small cap equities

Speaking at Hubbis' Investment Solutions Forum 2017 in HK – Siddhartha Singh of PineBridge Investments highlights the significant potential from doing close and careful analysis in Asia of smaller-cap stocks.

An on-the-ground research presence in Asia and a thorough knowledge of companies are among the key success factors in realising one of the largest alpha opportunities in global equity markets: Asia ex-Japan small-cap stocks.

This is particularly the case given the many hundreds of investable, high-quality, under-researched small and mid-cap stocks in Asia, explains Siddhartha Singh, head of client portfolio management, Asia equities at PineBridge Investments. Yet this is a crowded space, making it challenging to make money – which is where he says careful and close-up analysis is essential.

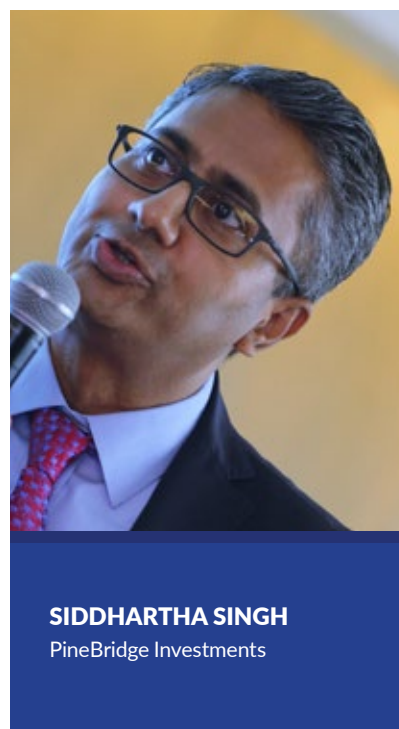
Singh sees five main categories of player in the region: consumption; calories – in terms of energy; the environment; urbanisation; and demographics. He demonstrates the opportunities by looking at consumption, where there are a variety of sectors – but says that would rather stay away from those which are overly-competitive. Looking

even more closely at the investment landscape to get even more clarity, Singh uses a 'captcha' analogy of 'AEIOU'.

This stands for Automation, Energy and Environment, Information technology, and World Order, and Urbanisation. Among the specific sectors, he focuses on to find opportunities is advanced manufacturing in China.

This is based on several factors, including an ageing population, wage pressures and China's industrial robot penetration being in its infancy. Advanced transportation is another sector Singh likes.

A mix of safety, customer preferences and regulations all lead to growing demand for advanced driver assistance systems, he explains. In addition, he points to energy and the environment as a big opportunity – especially since China is the largest consumer of energy in the world, yet its energy efficiency is poor, opening the door to the potential for improvements to be made. ■



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