

Riding the tech wave

Providing smart ways to back disruptive firms should lead to rising sales as investor interest in innovation grows, explains Elsie Chan of T. Rowe Price.

Elsie Chan believes that looking at the new generation of technology companies is an important way that T. Rowe Price's offerings to intermediaries in Asia can stand out.

In order to align the strategy with these clients' needs and, in turn, build out the firm's business in the region, she wants to stick with a tried-and-tested path.

Chan, the firm's Asia head of intermediary sales, is quick to highlight the strategy's history and track record as one of its strengths.

"We have been investing in technology stocks for a long time, and running a dedicated global tech strategy since 2000," she explains.

But this isn't a run-of-the-mill fund. "When we invest in technology, we're looking at technology companies, and companies enabled by technology," says Chan. "[The fund] has got an innovation

theme to it, which can include disruption to existing industries or innovation that can actually create new sectors as well."

In short, the T. Rowe Price Global Technology Equity Fund aims to invest in companies that can benefit from innovation in technology, provide long-term capital growth potential, and leverage the expertise the fund house's global research platform.

Some of its themes include cloud computing, high-quality internet companies, industrial electronics software, cyber security firms, artificial intelligence and gaming.

Within these themes, the strategy favours disruptive companies – those that leverage technology in innovative ways, allowing them to capture market share from slower-footed competitors. "We are really looking beyond just the traditional technology companies," adds Chan.



ELSIE CHAN
T. Rowe Price

SHARPLY FOCUSED

In targeting intermediaries in Asia, Chan is exclusively focusing her attention on private banks at the moment.

The rationale for her optimism in delivering the technology fund is a diversification play away from the heavy fixed income focus.

“I think investors realise that there are lot of opportunities in equities, but they haven’t really been leveraging these opportunities,” she explains.

Her conversations with fund selectors and investment counsellors show an appetite to bring more balance to client portfolios, and not just to seek coupons.

In 2017 to date, fixed income remains prominent, with some pick-up in interest in multi-asset funds.

Increasingly, the firm is looking to grow Chan’s team to service intermediaries in Asia, and in line with its philosophy more broadly, to fulfil its long-term strategy.

Dealing with the competition is an inevitable challenge that Chan is prepared for – especially given her confidence in the firm’s unique, global approach to technology stocks and its 15 years-plus of investing in the sector.

“Not every fund house has the research capabilities that we do. Our strategy is supported by over 20 research analysts across different sectors and regions,” she adds.

“Investors realise that there are lot of opportunities in equities, but they haven’t really been leveraging these opportunities.”

Investments in pure equity funds are still quite small, but Chan sees an increasing appetite.

BRAND BUILDING

Another one of Chan’s priorities is to raise the profile of T. Rowe Price and its funds, and wants to dispel any myths that the firm is a new kid on the block.

“Not a lot of people know that we have been in Asia for a long time,” she says.

“We have had a Hong Kong office and locally-based investment professionals since 1987. For us, investment excellence always comes first.”

In what she calls a “go anywhere” concentrated tech portfolio of around 40 stocks, she cites a high conviction and genuine global approach that offers a relatively high non-US component.

“The network and experience in technology investment we have built up over the last couple of decades is unmatched,” says Chan.

This involves detailed analysis on many private companies, which then became small-cap stocks. Examples include the artificial intelligence space, where companies might not be ready for investment yet, but could be in two years’ time.

The case for investing in technology

T. Rowe Price believes investing in a portfolio that is highly concentrated in technology companies offers investors the opportunity to achieve growth regardless of the macroeconomic or political backdrop. For example:

- *Over the past 20 years, technology experienced both the highest median returns and volatility. This should provide an opportunity for active management*
- *Between July 2002 and December 2016, the technology sector had the highest median earnings per share growth rates in the MSCI All Country World Index*
- *Within a low-growth environment, industries within technology – like internet and software – are uniquely placed to deliver meaningful growth*

“We start from a very early stage, and I think because it is a sector that changes so rapidly, identifying these good companies early on is very important,” says Chan.

She is also upbeat about the future, with high hopes of adding to her stable of offerings.

“We have some strategies concerning more broad fixed income funds, which a lot of people have been looking at, and also unconstrained bond funds, where we relax our investment guidelines a little,” she explains. ■