

GLOBAL EMERGING MARKETS



HOW EM COMPANIES ARE EVOLVING NEW PROFIT POOLS

MAY 2020

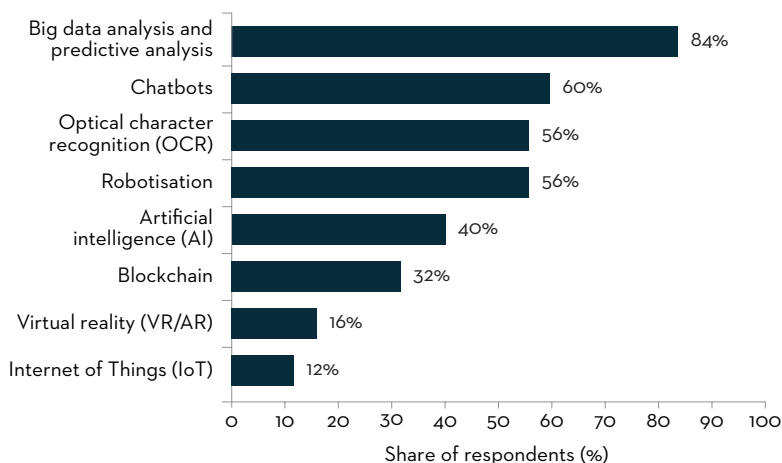
- Many emerging market (EM) companies are evolving new profit pools by reimagining and reconfiguring their business models through advanced technological integration.
- The Martin Currie Global Emerging Markets team has a track record of consistently identifying these areas of disruptive opportunity in what is a highly innovative asset class.

Developing digital ecosystems

Many EM banks (both incumbents and disruptors) are at the forefront of tech-driven operational transformation, developing their own technology capabilities which will allow them to build ecosystems to sell traditional financial products as well as finding new profit pools in other non-traditional 'lifestyle' products and services. Leading Russian financial company Sberbank for instance, is, for all intents and purposes, transforming itself from a bank to a technology business and is consistently benchmarking itself against technology leaders.

More broadly, other financial companies in EM are also increasingly seeking out partnerships with internet companies, combining expertise in biometrics and payments with user reach. By doing so, these collaborations can jointly provide a more complete consumer experience in areas such as travel, ticketing and bookings and food delivery. This diversification into lifestyle areas further blurs the lines between financial and technology sectors. For instance, digital-only Russian bank Tinkoff have clearly manoeuvred into lifestyle segments and was the first bank in the world to introduce a 'Stories' feature to its mobile app.

High penetration of digital technologies in Russia's banks and financial institutions



Source: Statista and KPMG 2019.

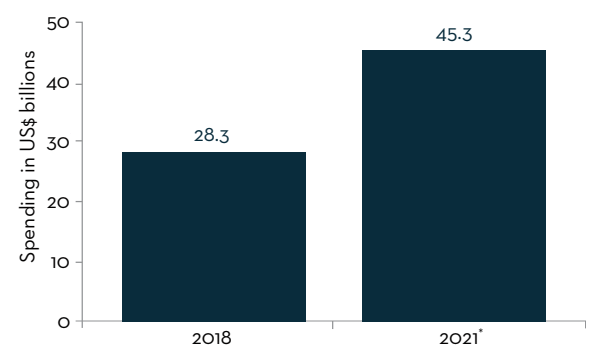


Paul Sloane
Portfolio Manager

Smart city innovators

We are also seeing these new profit pools open up in areas such as developing & servicing 'smart cities', through the use of digital technology to improve efficiency and help sustainability. In China, Ping An Insurance Group is competing with Chinese internet giants, Tencent and Alibaba, to develop these services in more than 100 mainland cities. Ping An's capabilities in areas like facial recognition, economic forecasting and blockchain allow it to rival more traditional technology companies in the race to improve government services.

Expenditure on smart cities in Asia expected to be US\$45 billion by 2021



*Estimate

Source: Statista; smart-energy.com; and IDC, 2018, 2020.

The information provided should not be considered a recommendation to purchase a particular strategy/fund or sell any particular security. It should not be assumed that any of the security transactions discussed here were or will prove to be profitable.

Monetising domain expertise

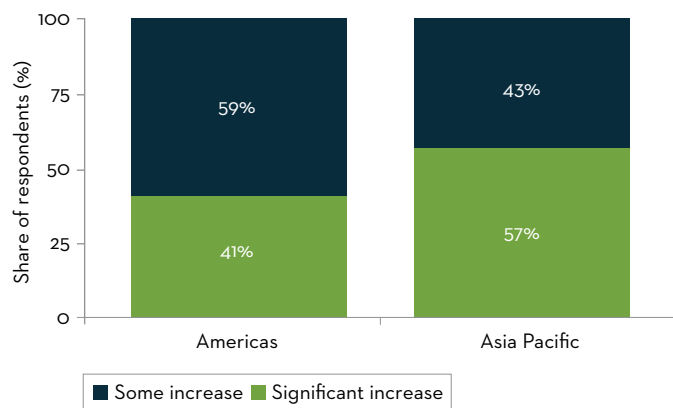
IT service companies are benefiting directly from the continuing spend on digital technologies, specifically as financial companies develop their tech capabilities. However, companies from within the sector are also realising they have specific technology domain expertise which is valuable to others.

In December 2019 we saw the IPO by the Ping An Group of OneConnect, a provider of tech services to the industry. OneConnect counts virtually all China's major banks as clients but also works with many smaller banks and financial groups in areas such as video or remote authentication which are rapidly becoming mission critical in a post COVID-19 world.

OneConnect is rapidly expanding outside China into many other Asian countries and is another clear example of how the lines of established business models are being redrawn.

IT SERVICE COMPANIES ARE BENEFITING DIRECTLY FROM THE CONTINUING SPEND ON DIGITAL TECHNOLOGIES, SPECIFICALLY AS FINANCIAL COMPANIES DEVELOP THEIR TECH CAPABILITIES.

Asian organisations experience greater 'significant' digital transformation than the US in 2020



Source: Statista and Flexera Software 2020.

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IMPORTANT INFORMATION

Past performance is no indication of future performance

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