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# Notes from the Road: HK/China, Philippines, Thailand and GEM Conference Takeaways

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## Executive Summary

- Over the course of two weeks in September, the Ethos team was on the road, doing meetings in Philippines, Thailand, Hong Kong, Korea, and attending UBS' Emerging Markets Conference in NYC. In total, we met 55 companies from 10 countries across Asia, Latin America and Eastern Europe and did multiple site visits, channel checks and conversations with locals.

- Overall, we saw many attractively valued EM stocks, with good ROEs and consistent growth that are being managed by excellent management teams. The weaker USD is providing good tailwinds for domestic players and inflation rates are remaining moderate.

- Low to middle income consumers are seeing a squeeze in some markets, especially evident in Indonesia, Brazil, Thailand. Despite pretty solid 2Q earnings growth in EM (18.8%), underlying consumer trends are weak and companies are adapting.

- Certain sectors are still growing well, especially technology. Many companies in Asia are riding secular tailwinds stemming from data centers, semiconductor CAPEX, HBM and next generation technologies, growing earnings 20-30%+.

- There are many quality gems in EM that are trading at really low valuations, the amount of great companies that used to trade at ~25x P/E that now trade at under 10x P/E is astounding. We find an especially high number of these gems in Thailand, Brazil, SE Asia, China, and Eastern Europe.

- Winds of favor have shifted, India which was the hot market last year is less in favor given the underperformance in 2026, while China and Korea interest is high. This could be a buying point for India, and other out-of-favor markets like Thailand and Indonesia.

- Tariffs and AI are questions for every company in every meeting, and how they are adapting to it, spell both real risks and real opportunities right now.

- In this note, we highlight CR Mix, Seven Eleven Philippines, Mercado Libre, a Chinese online travel agency, a Mexican Coca Cola bottler and a Thai Software business as our Top Picks. Overall, it’s an exciting time to be a stock picker right now in EM!

James, Juhyun and Chris in Manila, Philippines

ETHOS Investment Management

# China / HK: From Cautious Scanning to Selective Conviction


TIM ZHANG, CFA
Research Analyst


## Takeaways:

The atmosphere at this year's Goldman Sachs Asia Leaders Conference marked a significant shift from last year's Macquarie gathering. Walking into the main hall, we were immediately struck by the sheer volume of attendees (over 1,200)– almost every seat was occupied, with latecomers lining the walls during keynote sessions. This renewed energy clearly reflects the stronger performance of A-shares and Hong Kong markets year to date. During company group meetings, we consistently observed larger crowds both inside and outside the meeting room, a stark contrast to 2024's more cautious turnout.

Hong Kong's Hang Seng Index has Outperformed the S&P 500 by a wide margin year-to-date


Several key themes dominated investor conversations.

- First, queries centered on companies' new businesses and growth drivers, with most participants already pricing in macro pressures on existing operations.
- Second, execution capabilities took center stage—investors probed deeply into cost control measures, capital expenditure plans, and strategies to maintain market share amid intensifying competition.

- Third, overseas expansion remained a hot topic; firms with proven offshore capabilities garnered premium attention, as international markets offer broader growth prospects and greater profitability compared to China's competitive domestic landscape.
- Finally, AI remained unavoidable—any AI-related business breakthroughs sparked questions about addressable market size, R&D progress, revenue timeline, and potential new entrants.

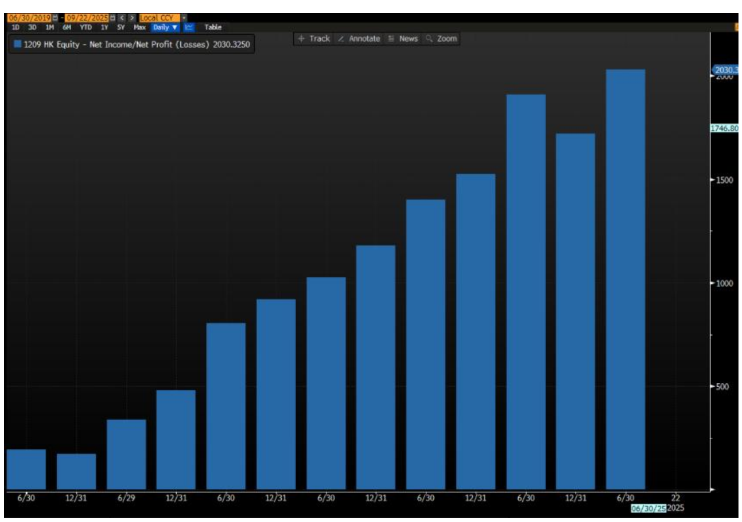
## Company Highlight: CR Mix

Our meeting with CR Mix management reinforced our confidence in this premium mall operator's exceptional execution. Despite market concerns over revenue decelerating to high-single-digit growth in 1H25, the company delivered an impressive 300 basis point year-on-year gross margin expansion. This achievement stems from a deliberate strategic pivot: while the basic residential property management revenue grew robustly at 9% YoY, the company increased its higher-margin public space management projects (+15% YoY) and strategically phased out unprofitable Value-Added Services (-33% YoY).

The market's negative reaction post 1H25 result announcement appears disconnected from fundamental improvements. Management's proactive adjustment of their business mix actually enhances earnings quality. It's been clarified that residential-sector adjustments will impact top-line in the short-term but are certainly earnings-accretive. Looking ahead, the company remains confident in 2H25 operating cash flows to support its 100% dividend payout. In terms of operational highlights, its premium mall portfolio generated 21% retail sales growth and 9.7% same-store sales growth despite a weak consumption environment in China. Membership programs continue to drive engagement, with 72 million members accounting for 60% of total retail sales.

An interesting observation —our year-long holding period with CR Mixc has mirrored the evolution in investor sentiment. At last year's Macquarie Conference, only three investors attended the group meeting with management. This year, fourteen analysts packed the meeting room, with a visible queue already forming outside for the following session.  The stock is up 63% since we purchased it last May, but we still see strong upside potential.

CR Mix has shown a consistent track record of growing earnings each year



## Emerging Opportunity: A Leading Online Travel Agency

We engaged with a dominant player in the online travel sector that demonstrates remarkable competitive advantages. This company has built an exceptional ecosystem combining AI-driven dynamic pricing, supplier relationships, and proprietary cancellation algorithms that deliver customer retention rates approaching 90%.

The investment case centers on three powerful drivers: structural tailwinds from Asia's premium travel boom growing at twice regional GDP rates, unmatchable scale with over 400 million bookable SKUs, and extraordinary capital efficiency generating 40%+ returns on invested capital. Their asset-light model creates negative working capital cycles – a rare quality in the sector. We are actively evaluating entry points for this capital-compounding machine.

## Concluding Perspectives

This year's conference was a stark reminder of how quickly market sentiment can shift. Further, it revealed a market transitioning from cautious scanning to selective conviction. The most compelling opportunities lie with companies like CR Mix that demonstrate operational excellence amid turbulence, and emerging leaders capitalizing on structural shifts like premium travel and practical AI implementation. China/HK's investment landscape continues to offer differentiated opportunities for investors who can identify sustainable competitive advantages beneath surface-level volatility.



Pictures: BrainCo's Neurolink robotic arm playing a piano using brainwaves, Xiaomi's YU7 model

Pictures: Tim and James in Hong Kong

# Philippines: An Excellent Market for Stock Picking & Finding Talent

JAMES FLETCHER, CFA
Founder & Portfolio Manager

## Takeaways:

It is great to be back in one of my favorite places in the world… the Philippines. and even more meaningful to be doing the trip with two of our newly hired analysts from our associates program based in the Philippines, Juhyun Kim and Chris Manongdo.

The Philippines is home to beautiful islands, vibrant culture, world-class hospitality, and some of the warmest and most resilient people you will ever meet.

The Philippines is one of the fastest-growing economies in Asia, with GDP projected to expand by around 6% in 2025, supported by robust domestic consumption, steady remittances, and strong infrastructure spending under the "Build Better More" program. Inflation, has moderated recently and tech outsourcing and BPO continues to expand.

A couple of things stood out to me this visit:

- Corporate Outlooks were much more positive than last year when we visited. The Philippine Stock Exchange Index (PSEi) has rebounded this year, driven by strength in banks, property developers, and consumer companies, reflecting confidence in both domestic demand and long-term growth trends. Companies overall were feeling upbeat.

- Philippines loves their brands, and they have successfully developed many home grown branded businesses in tuna, ice cream, snacks, retail chains, fast food, and these local branded companies continue to dominate against foreign brands, even as the Chinese are trying to enter more categories.

- New economy business are growing, as both new ventures and Family-owned conglomerates are adapting to young, tech-savvy population. The median age in the Philippines is just 25 years, and this is reshaping industries like food delivery (GRAB's superapp), BPO/IT services (still one of the largest in the world) to renewable energy, fintech, and digital retail.

## Company Highlight: Seven Eleven Philippines

One prime example of an excellent, well-run company is Seven Eleven Philippines (SEVN PM). The company has been a dominant force in the Philippine retail landscape since acquiring the license to operate 7-Eleven stores in 1982 and opening its first store in 1984. With a vast network of 7-Eleven convenience stores across the country, PSC has become an integral part of the daily lives of Filipinos, providing a wide range of products and services in a convenient and accessible manner. As of FY24, PSC boasts over 4,000 stores, with 52% being self-operated and 48% franchised. The company has set an ambitious goal of adding 1,000 new stores every three years. PSC commanded a 26% market share by store count in the overall convenience store sector and an impressive 60% within the branded 24-hour segment.

During the visit at company headquarters, we were able to get an update from the company and meet the new CEO, Mr. Ying-Jung Lee.

Overall, we can away feeling more conviction about the long-term opportunities and well-run business. Some of the additional insights were:

- The company is experiencing higher ROICs and faster breakevens in the new store openings outside of metro Manila. This is due to the fact that they have a strong distribution center network, and limited competition in the areas of Luzon and Mindanao.

- The company recently crossed 4,000 stores, compared to their nearest competitor Dali at 600 stores, and they see clear line of sight to reaching 8,000-10,000 stores over the medium term.

- Weaker SSS growth in the 1H was due to a number of one-off factors, which they see evidence to normalizing and recovering back to mid-to-high single digits for the remainder of the year.

- The new CEO will bring continuity and a cost focus on ROIC. The company will continue with the strong execution and growth trajectory, while as a CFO by background, will also bring a new level of cost consciousness.

Store Count of Major CVS Brands in the Philippines

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|
| **Store Count** | | | | | | | | | |
| PSC | 1,602 | 1,995 | 2,273 | 2,550 | 2,864 | 2,978 | 3,073 | 3,393 | 3,768 |
| Uncle John's | | | | | | | | 424 | 408 |
| FamilyMart | 114 | 100 | | 70 | 80 | 74 | 89 | 101 | 72 |
| Alfamart | 81 | 130 | | 526 | 754 | 1,012 | 1,207 | 1,412 | 1,692 |
| Lawson | 0 | 27 | | 25 | 60 | 62 | 68 | 85 | 130 |
| DALI | | | | | | | | 142 | 600 |
| Mini Stop | 532 | 499 | | 499 | 507 | 472 | 460 | | |
| **PSC's market share by store count** | | | | | | | | | |
| Overall general CVS industry | na | na | na | 26% | 28% | 30% | 29% | 30% | 26% |
| Branded 24 hours CVS | 50% | 63% | na | na | na | na | na | 67% | 60% |

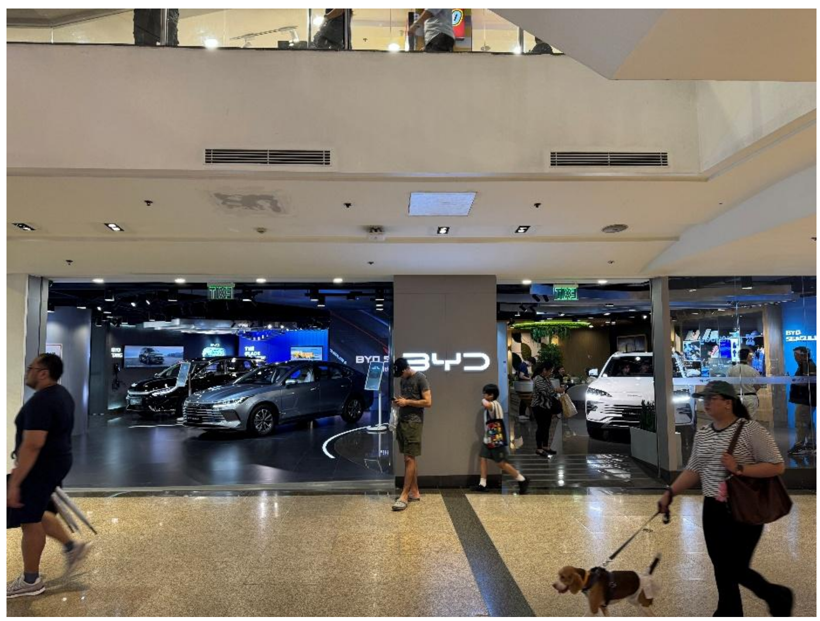
James, Juhyun and Chris with CEO, Mr. Ying-Jung Lee and the PSC mgmt. team

Overall, Seven Eleven Philippines trades at attractive valuations (Current P/E of 18.4x compared to 5Y avg. of 31x) and we expect will continue to grow earnings at 20%+ CAGR while maintaining exceptional ROEs at 42.6% current level. It's a unique combination of great business model, strong growth potential, and excellent management team and our conviction increased after our visit.

## Conclusion

With over 110 million people, favorable demographics, and an increasingly global outlook, the Philippines is positioned as a key growth market in Southeast Asia. We find many opportunities there, both stocks and also great talent in terms of building our associate analyst team.

Pictured: James, Juhyun and Chris with mgmt. teams of Wilcon and RFM


Pictured: James, Juhyun and Chris at ATI, also Mall Visits where Chinese brands like BYD, Miniso, and JD were growing

# UBS EM Conference: Consumer Weakness and Political Uncertainty; About Par

**BENJAMIN SAIN**
Senior Research Analyst

## Takeaways:

We love traveling to the countries in which we invest as it gives us unique perspectives and insights into both country and company cultures. Occasionally, we have the opportunity to attend conferences such as the EM Conference hosted by UBS where dozens of companies across emerging markets are brought together to meet with investors. While we aren't able to get the same insights, these conferences provide efficient exposure to dozens of management teams and can be great opportunities to find interesting investment ideas. During this trip we were able to meet with 15 companies and 4 industry analysts over the course of 2 days – a quick but efficient trip!

Weakness in consumer demand (especially across lower income levels) was a common thread across many of the discussions. Weakness in Brazil, Mexico, Argentina; those with lower incomes are struggling. This has caused many companies to turn cautious on their outlooks for 2026. However, while the LatAm consumer is relatively weak, commentary from Poland is that the consumer is doing well…perhaps not as well as investors and economists expected a year ago, but relatively stronger vs. other EM countries.

Political uncertainty was also a major topic impacting the strategy and decisions for management teams across EM. Most companies didn't seem worried about tariffs, but local uncertainty in Brazil and Argentina seemed to abound. General elections will be held in Brazil next year and interest rates remain.

## Company Highlight: Mercado Libre

I don't know if there is any better accolade for a brand or company than to have all your peers talk about you. It was interesting to hear Mercado Libre (MELI) brought up across multiple different meetings. Whether it was frustration from direct competitor, companies boasting partnerships, or non-competitors in other markets, MELI is impacting and finding strength across LatAm markets.

Recently, the company reported quarterly results that missed profit expectations. This margin weakness stemmed in part from the company's decision to reduce shipping fees charged to customers even reducing the threshold for free shipping down to R$19 (from R$79 previously). While some market participants saw this as a signal for increased competition, we believe that this is a way for MELI to lower the barriers for customers to transact on their platform and drive higher GMV. Given the strength of their platform, higher GMV will give higher volumes to their distribution network (lowering costs) and support lending to sellers and customers through Mercado Pago (financial service arm). Given few competitors can boast the scale or platform synergies MELI recognizes, lowering the barriers for customers seems like the right strategic move.

## Emerging Opportunities: Stability in a Coca Cola Bottler in volatile markets

We often hear from management teams across Latin America say, “this is nothing new; we’re used to crisis”; and it’s a fair point. These markets have faced much higher economic and political volatility relative to their more developed cousins. Companies that have thrived in these markets have done so due to competent management and anti-fragile businesses. During the conference, we had the pleasure of meeting with one of these stable stalwarts. The company is one of the largest bottlers and distributors of non-alcoholic beverages and stack products across the Americas – navigating hyper-inflation, volatile currencies, and ever-changing political regimes. However, over the past 20 years, they’ve consistently grown operating profit at a 15.2% CAGR while averaging 15% ROE.

Bottling is largely a scale business (even more-so now given the investments needed in tech, automation, sustainability, and AI) and we believe there is a good probability that further consolidation will continue. The company could potentially see additional territories come to market and, given management’s strong track-record, could be at the forefront to win the additional volumes.

Currently, the company trades at less than less than 1x PEG while also paying a solid 4.5% yield through dividends. The valuation seems low considering the stability of the business, the track record of management, and when comparing multiples to global peers. We also believe that the sustainability of earnings growth should continue at a higher rate compared to market estimates with additional upside to be had if/when additional territories come to the market.

## Conclusion

Overall, we came away from the EM Conference with a number of new companies added to our research pipeline. While this conference was largely spent meeting new companies, these meetings often served as channel checks, giving us additional insight into companies we own like Benefit Systems, Raia Drogasil, and Mercado Libre. It also helped us gain insights into some shared challenges facing emerging markets but also highlighted those businesses which should outperform given their stable business and skilled management.

# Thailand: Political Uncertainty Masks some Great Underlying Businesses

JAMES FLETCHER, CFA
Founder & Portfolio Manager

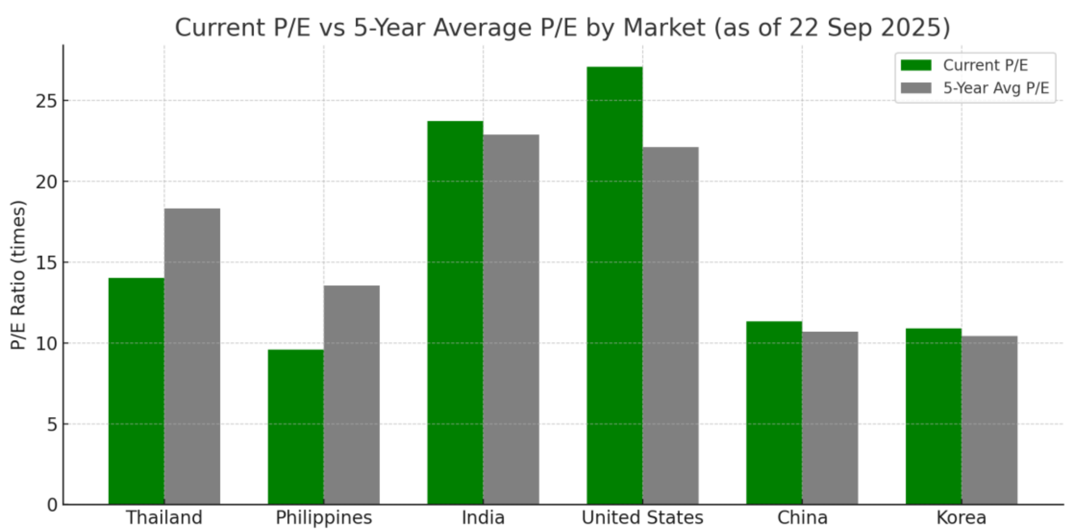
## Takeaways:

It is great to be back in the magical country of Thailand.  I was able to meet some wonderful companies. Thailand is a one-of-a-kind country, home to stunning beaches, mango sticky rice, and nation built on incredible hospitality.

It hasn't been smooth for Thailand's economy though over the past couple of years:

- Household debt rose above 90% of GDP, constraining consumption.
- Political volatility has dampened investor confidence, with the recent removal of Paetongtarn Shinawatra as PM, and the sentencing of Thaksin Shinawatra to a one-year prison sentence.
- Rising competition from Vietnam and Indonesia has hurt FDI and manufacturing.

As a result, the Thai Stock exchange has underperformed other Asian Indicies in 2026, and now trades at a forward P/E of ~14x, significantly below the S&P 500's ~21x and significantly below its 5Y average.




My takeaway from my visit is that I wouldn't count Thailand out, and it may be an exciting entry point given the low valuations and long-term unique advantages. Thailand remains a global hub for manufacturing, for automobiles they produce over 2 million vehicles a year

It is home to world class hospitals and doctors, attracting a vibrant medical tourism industry. They are an ASEAN leader in clean energy, targeting 50% clean energy by 2040, with ambitious investments in solar and wind. I saw so many new EVs on the road, mostly from China, BYD and GAC. And they have a stable currency with low long-term inflation rates.

Family-owned conglomerates remain dominant, but we're seeing a new wave of innovation across fintech, EV supply chains, renewable energy, software and digital platforms, such as GRAB.

With nearly 70 million people, a strategic ASEAN location, and globally competitive industries, Thailand is a world class market trading at attractive valuations.

## Emerging Opportunities: HR & Payroll Software Leader in ASEAN

We met with the founder and CEO of the leading payroll and HR software company in Thailand. Its offerings include payroll outsourcing, HRIS (Human Resource Information Systems), benefits management, and talent management software. The company has grown earnings at 28% CAGR over the past 5 years, makes a 30% EBIT margin, has 75% recurring revenue, and yet only trades at 16x P/E.

Some of highlights of the company include:

- The merger with the leading HR software provider in Indonesia, which expanded its user base to over 2 million employees, increased geographical reach, and gave scale across ASEAN.
- The company recently acquired the market leader in Vietnam.
- Demand for cloud, automation and "future-of-work" HR solutions is growing strongly. The company has become the go-to partner for licensing of cloud, ERP, and talent management software in SE Asia.
- SME Adoption - In emerging ASEAN economies, many SMEs still do HR and payroll manually but this is changing. Also, increasing regulation (labor, tax, employee welfare), rising expectations from workers (benefits, wellbeing, flexibility), and competitive pressures push companies to modernize or outsource HR tasks. This gives this company a strong growth runway.

### Unique competitive advantage

The company's key competitive advantages derive from (a) scale + regional presence, (b) integrated product + service ecosystem, and (c) strong customer base & recurring revenue. They are the market leaders in Thailand, Indonesia, and Vietnam, and will increasingly be able to offer a unique HR software offering one-stop shop solution all across SE Asia.

We were impressed with their management team, their track record of bolting on strong software solutions, and the opportunity to ramp up their salesforce to accelerate growth. Overall, for a high-margin, high recurring revenue business that could double in the next 4 years, their low valuations of 16x P/E and 6% FCF yield seems very attractive. We are adding this to our due-diligence priority list after the trip.


Pictured: GRAB bikes are everywhere in Southeast Asia

Pictured: James in BDMS Hospital and with Humanica Founder in Thailand

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