Morgan Stanley

INVESTMENT MANAGEMENT

Global Equity Observer

Is it still worth getting on a plane? *Field notes from recent research trips*

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From new-age flying vehicles[1] in China to heritage-built Ferraris in Italy, state-of-the-art production lines in the Netherlands to a wide range of industrials companies laying out their plans in Florida, meeting management and site visits are a part of our long-standing approach to bottom-up research. Company meetings come in different forms: one-to-one meetings with senior management, mega industry conferences, and broker-arranged field trips. But in an era of instant information and virtual communications, is it still worth getting on a plane?

Information is everywhere. Insight is not

With earnings calls transcribed in minutes, investor decks easily found online, and AI able to condense an hour-long management commentary into a paragraph in moments, the marginal cost of hearing what a company has to say has fallen close to zero. Information and insight, however, are not the same thing. Passive vehicles may own companies without questioning the thesis or probing the technology in person, but as fundamental investors looking for high quality companies run by capable management, we believe human judgement remains central.

This doesn't mean that attending every trip or meeting is essential, and nor do we. If a chief executive is a constant presence on the conference and podcast circuit, there may be little additional benefit in seeking a separate audience. Where the value lies is in access to a chairman, founder or technical lead who shapes a company's long-term direction but is rarely available to investors; seeing for oneself which management teams remain best-in-class and who is going through the motions, gauging the tone across a sector or market, understanding how the debate has shifted over time, and identifying gaps in our research. The discipline is knowing which meetings matter, what to ask, and how to interpret the findings.

"In periods of change — of which there has been no shortage — we believe sitting across the table from a management team is one of the most effective ways to test whether a thesis still holds, and, at times, whether we have been thinking about a business or industry correctly at all. It's something I have always believed, and continue to stress with the team."

William Lock, Head of International Equity team

[1] eVTOL (electric vertical take-off and landing) – currently in testing in China for future commuter use.

What we look for in the room

We don't meet companies to be spun a pitch by management — and certainly not for material non-public information (MNPI). Our goal is to gain incremental information that can make a difference to an investment case by asking questions, seeing things in action, and assembling a picture no single source provides. We look for businesses where management is focused on sustaining high barriers to entry, pricing power and durable competitive advantages. Some of that shows up in reports, but a great deal of it is intangible, and sometimes better understood in person. At conferences and on group trips, a part of the signal also comes from other investors: the questions they ask, where the debate has become crowded, and how their views have shifted when they have met a company before.

At times, nothing beats being literally in the room. A good example of this is our recent visit to Ferrari, which brought to life the flexibility of its production line. Portfolio manager Anton Kryachok observed that seeing the set-up in person emphasised its adaptability in a way that reading about it did not. Combining different models, both combustible and their new Luce EV model, under one roof, provides the agility to control the demand-supply dynamic and maintain pricing power, enabling the company to flex the production of particular models for different 'Ferraristi'.

Notes from the road – recent highlights

The industries and markets covered by our research trips so far this year have varied. Here are notes from three of them.

1. CHINA – SEEING WHAT'S HAPPENING ON THE GROUND

Visits to China over the years have enabled various team members to witness how quickly this huge market moves, and a recent trip to Shanghai reinforced this. Competition in the domestic market operates at an order of magnitude beyond most others — a battle of loyalty schemes, discounting, and constant format innovation. A good example is a small convenience-store chain that has expanded from roughly 2,000 outlets in 2022 to around 22,000 in 2025, a trajectory made possible by a vast, unified domestic market in which a successful model can be scaled at a speed unavailable elsewhere.

The fusion of technology is also happening more swiftly than in other markets, with customer adoption accelerated by government intervention and regulatory support. The clearest illustration of rapid technology roll-out was the robotaxi, already operating commercially in Shanghai in traffic considerably more chaotic than many western cities; as our portfolio manager Bart Dziedzic commented, within minutes, the absence of a driver ceased to feel remarkable. Meanwhile, China's innovation in electric vehicles, supported by wide consumer adoption, has meant that western car brands are increasingly losing relevance with domestic customers. The country's investment in battery and drone technology has led to another playing field reset, providing it with an opportunity to leap ahead. Commuting by two- or four-seater drone could soon see flying taxis move from testing to reality.

During our meetings, excitement around AI was tangible, while in areas outside AI the mood was more despondent, with companies facing intense competition. The broader lesson is that China is no longer simply an end market. It has become a competitive benchmark; its agility, supply-chain depth, superior technology, price point and consumer sophistication providing fierce competition for global businesses, not least in the consumer arena. Keeping an eye on such dynamics, and new innovations such as robotics, makes such visits instructive and well worth the flight.

2. EUROPEAN SEMICONDUCTOR VISIT – ASSESSING SUPPLY-DEMAND DYNAMICS

Separately, we visited a cluster of European semiconductor companies, a corner of technology that continues to act as a core bottleneck, with the trip providing the opportunity to explore nascent technologies such as hybrid bonding. Meeting individual specialist companies helped to illustrate the interconnectedness of the whole chain, and provided evidence that the management teams have their ear to the ground on the demand cycle.

Extreme ultraviolet (EUV) lithography, the process that etches circuitry onto silicon at the finest scale, is an area of advanced chipmaking where ASML has a monopoly. During our meeting the debate centered less on execution and more on capacity management: investors wanted to understand demand sustainability, expected production volumes, and the price point of its machines. The company had effectively sold out capacity through 2027 and was now taking orders for 2028, with demand skewed heavily towards memory — an end market that, only a few quarters earlier, management had been less bullish on.

Important for us was ASML management's temperament: demand is plainly robust, yet they were firm that they would not overbuild capacity simply because they could (or in response to market hype), instead citing long-standing customer relationships and regular communication that allows them to determine genuine requirement for machines. That discipline matters, given our central consideration was less whether current demand is strong than where in the cycle it sits, and when it could turn. A visit to the showroom to see high-Numerical Aperture (NA) EUV lithography made plain why the moat is so durable. The process is extraordinarily difficult to execute, and replicating it will be the work of years, not quarters for any Chinese challengers.

3. INDUSTRIALS – TEMPERATURE CHECK ON A VAST AND HETEROGENEOUS SECTOR

From the technological frontier to the physical economy, a North American Industrials conference at the start of the year provided a temperature check across different parts of the sector: railroads, electrical equipment, aerospace and defence, HVAC[2] and housing-related businesses.

Three themes emerged. First, for most Industrials businesses, AI presents an opportunity rather than a threat — an LLM (large language model) cannot replicate miles of track or an installed infrastructure network, but it can make those assets more efficient. Second, U.S. re-industrialisation is beginning to look like more than simply rhetoric: there is early evidence companies are committing capital to domestic capacity and supply chains. Third, the inflationary pressure that had troubled many industrials sub-sectors since the pandemic appear to have moderated.

We believe the value of a major annual conference lies in spotting key trends and changes, with subsectors sitting at visibly different points in their cycles. It helps inform our research agenda and prioritise where we spend our time. As portfolio manager Alessandro Vaturi noted, returning year after year lets you see how companies and their industries evolve over time, and the best-in-class management teams repeatedly stand out; in how they respond to investors and think about long-term value creation. If you can spot exceptional operators and stick with them over the long run, you can be rewarded. This year's event also reinforced our view that there are subsets of Industrials that are attractive in the era of AI.

Multi-year relationships build value

As long-term investors, we can establish two-way dialogue with companies that creates value for both sides. A good demonstration of this is when portfolio manager Isabelle Mast missed a Financials conference due to flu and was subsequently contacted by two key companies who had noticed she was missing; the outcome was separate one-on-one meetings with the CEO and CFO, respectively. Multi-year dialogue is also invaluable with companies we do not currently hold. Recent meetings with first the Chairman and later the new CEO of a consumer company we have followed over the decades provided essential insights into its new strategic direction – as did a recent trip to New York for meetings with leading media and entertainment companies.

Fundamental research in an AI age

AI may make information faster, cheaper and easier to organise. But it won't replace judgement, whether about business leaders, competitive moats, or if a company can maintain its position among the best businesses in the world. Taking to the road does not replace the model, but it can add to it — and the most useful meetings are not always those that confirm our thinking. In an age in which information travels instantly and costs nothing, judgement is the scarcer commodity, and it is not built at a desk alone.

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[2] Heating, Ventilation, and Air Conditioning

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