



# Grassroots® Research

Field research, designed by us

Equity research at Allianz Global Investors

Part 3

For professional  
and institutional  
investors only

## Key takeaways

- Grassroots® Research is a proprietary market research capability of Allianz Global Investors that has been adding real value to the research efforts of our equity platform for over 35 years
- More than 300 market researchers and reporters globally are available on demand to generate field research that answers some of the biggest questions about our investment cases
- In the past 12 months, over 300 Grassroots® Research reports were commissioned by our investment teams, who gained a 6 to 12-month time advantage with these deeper insights
- Whilst the focus remains on personal interviews with key decision makers and specialists, the toolbox has evolved to also include more data-driven approaches such as web data extraction techniques

**Our investment professionals are in contact with a large number of listed companies every day, with up to 10-15 companies on our equity platform's daily agenda during a typical earnings season, in Europe alone. Meeting key decision makers is a core component in our search for valuable information to build an investment case.**

As fundamental equity managers, we value having **direct contact with companies** – for example, to discuss results and outlook, but also simply to get to know the decision makers that are shaping a company's path. Engagement with companies can happen in our offices – perhaps during a company roadshow – but in many cases our investment professionals are also traveling to visit factories and production sites to gain a better understanding of the company and its current situation.

While company calls and meetings are a key source for information gathering, they have one key issue: have you ever heard the top managers of a company talk negatively about their own company? In the end, they want to sell their company to investors. Even in challenging times, company management is likely to want to reassure investors with an impressive plan. The analysis of a company therefore only starts with input from management. It needs **scrutiny, interpretation and further perspective**. The company story also needs a reality check because even the management team may have limited knowledge of the market that they operate in. This is why companies themselves commission market research and consumer focus groups, and conduct surveys. Investors can do market research too, given the right resources. **This is where Grassroots® Research market research comes in.**

Value. Shared.

**Allianz**   
Global Investors

## Overview of the Grassroots® Research process

**Grassroots® Research is a separate and proprietary research entity of Allianz Global Investors.**

With over 350 market researchers and reporters, it provides an additional level of investigative fieldwork and market research at the local level, across the globe. This market research effort allows Allianz Global Investors to obtain information more quickly and more accurately than the market by going directly to the source.

### INFORMATION ADVANTAGE

Collecting insights  
direct from the key  
stakeholders

**UNIQUE  
TO ALLIANZGI**  
Proprietary market  
research capability  
since 1984

**GLOBAL NETWORK**  
Reporters and Field  
Force Investigators on  
the ground in the  
local language

**FAST**  
Customised market  
research with short  
turnaround times

Serving as a complement to traditional research, the Grassroots® Research reporters and field force representatives conduct practical investigative fieldwork, highlighting both risks and opportunities. Grassroots® Research produces market research that is proactively requested by analysts and portfolio managers.

**We commission more than 25 studies per month across the globe to support analyst and portfolio manager conviction in individual stocks and sectors.**

With Grassroots® Research, we can collect detailed market insights directly from the stakeholders who are closest to a company, and often at the heart of purchasing decision. It complements our hands-on approach to research by providing raw responses to some of our most critical questions surrounding an investment case – responses that haven't been filtered by company management or an external research provider.



Want to know whether a new drug will increasingly be prescribed? **Ask the doctors.**



Looking to find out whether highly specialised business-to-business software is any good? **Ask the software consultants.**



Need to know if a new digital game is being well-received? **Ask the players.**

Grassroots® Research makes 50,000 industry contacts available on demand, helping the team develop tailored market research reports exclusively for Allianz Global Investors' investment professionals.

Our Grassroots® Research analysts are available in-house – in Frankfurt, San Francisco and Hong Kong – to help our investment teams design tailored market research studies on demand. In-depth information is gathered on under-researched marketplace trends, the demand or competitive

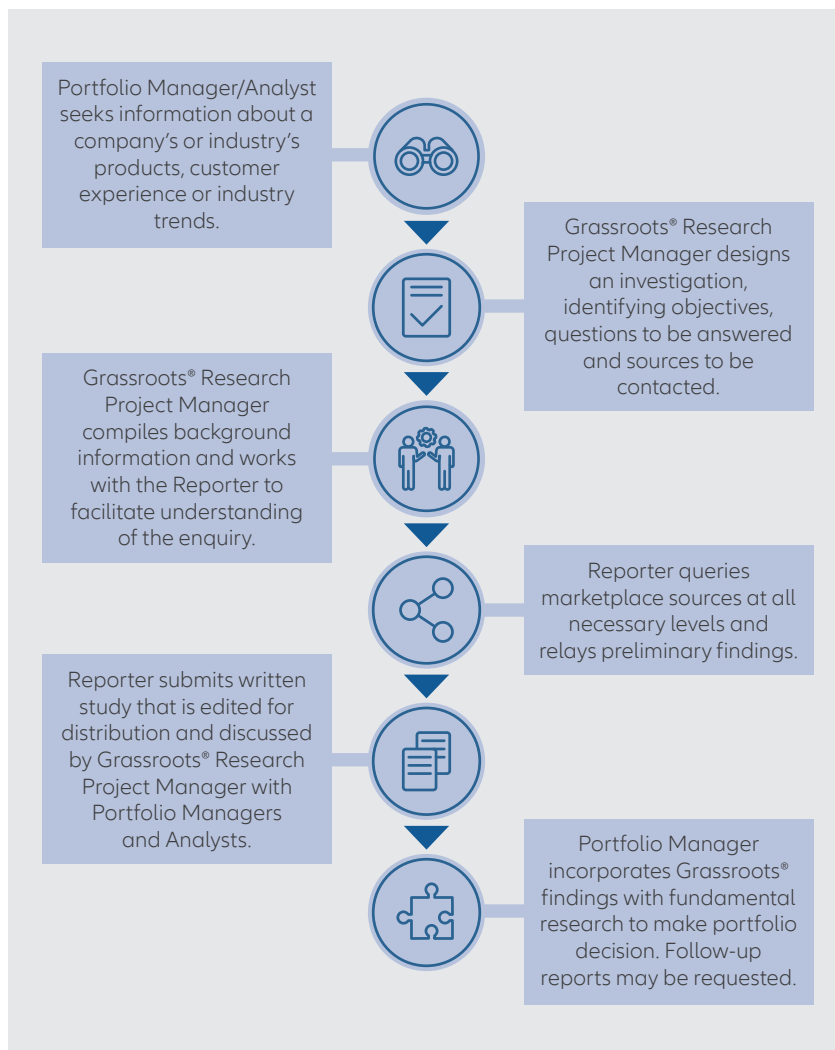
environment, and global business developments that are affecting current and potential investments.

**Grassroots® Research has also been credited with identifying numerous under-followed or previously undiscovered opportunities**, for example by uncovering new information about a supply chain. These studies can answer questions surrounding trends in consumer preferences and purchasing behaviour, investigate the competitiveness of a product or service, or simply provide clarity on the most relevant drivers of a complex market.

Once the set of key questions have been defined, our Grassroots® Research analysts reach out to their global network of over 60 Grassroots reporters, who work on a freelance basis. Interestingly, many of these reporters are journalists by profession – so they know how to ask the right questions – and we have worked with many of them on multiple projects over many years. In addition to the reporters, there is a second layer of support in the form of more than 300 field force investigators, who specialize in quantitative market research. They survey consumers, gather information on industry trends and help run the market research projects. Reporters and field force investigators target those stakeholders of a company who are most influential for the investment case and are therefore best positioned to answer questions or provide insightful data. **With reporters working across the globe, Grassroots® Research is a truly global organization mirroring the global reach of the Allianz Global Investors equity platform.** If market research needs to be done in Brazil, it can be executed on the ground in the local language.

The raw responses and data are then returned to our Grassroots® Research analysts, who remain unbiased when collating the final reports. **The entire process can take as little as a few days, providing us with a fast and valuable information advantage** when compared with similar processes that can take several months. The reports are then shared on our Global Collaboration System for all our investment professionals to use.

## Overview of the Grassroots® Research process

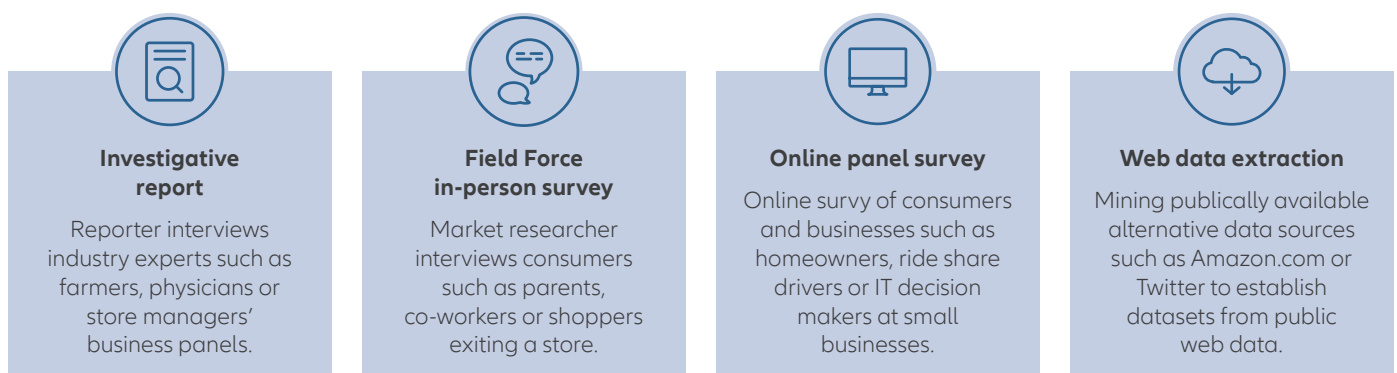


Source: Allianz Global Investors, November 2020. Illustrative.

Grassroots® Research is a versatile toolbox. Allianz Global investors has been using it for company-specific market research as well as for more overarching survey – for example, to gauge consumer sentiment. Some reports have become recurring, when measuring change over time might be the most valuable part of the information.

The toolbox has also evolved. Grassroots® Research has traditionally relied on personal interviews with key decision makers and specialists, gathering qualitative feedback from a representative group of stakeholders. Targeting a large audience of thousands of consumers and businesses all at once is also possible through our online survey approach. Most recently, web data extraction was added to the Grassroots® Research toolbox to highlight pricing and inventory trends. Grassroots' unique leverage of human knowledge across the world is still so valuable because the vast majority of the world's knowledge is still not digitalized and waiting to be fed into a machine and analysed. When such information is available, Grassroots also uses web data extraction techniques to "web-scrape" pricing information from the websites of those consumer internet companies and car dealers and real estate listing companies who do expose enough information for robust market research purposes.

## Grassroots® Research toolbox



Source: Allianz Global Investors, November 2020.

It is important to note that Grassroots® Research reports do not deliver final investment decisions. They are compiled in a matter-of-fact way without further interpretation by reporters or Grassroots® analysts. This makes them another piece in the puzzle that the ultimate investment decision makers need to put together. In the absence of a yes/no type of outcome, the contribution of Grassroots® Research to performance – or more precisely relative performance

– is not measurable in a numerical way. However, it is clear that in the hunt for an information advantage – which is at the heart of our active management approach – Grassroots® Research provides unique insights. Feedback and continued strong support over the years for this capability by our investment professionals clearly confirms the value of Grassroots® Research input into their investment decisions.

**Grassroots® Research in action: 1****Roche's Hemlibra**

**Companies in the healthcare sector account for around 18% of all Grassroots® Research studies commissioned.**



The complexities of the emerging biotech industry, the importance of new product launches for big pharma companies and the emergence of consumer trends (such as progressive lenses or clear teeth aligners) make for very exciting investment opportunities. Yet they often provide only low visibility.

**Here, Grassroots® Research can shed some light.**

Pharmaceutical companies often compete in multi-billion-dollar global markets when they launch new drugs. The development process is long, complex and expensive, taking between 10-12 years from product identification to commercialisation. The success of the drug while on patent

is critical for the company's revenues and earnings growth, and for its overall investment case. Having clear insight is also important in terms of generating relative performance: many of these firms have large weightings in benchmark indices. For example pharmaceutical giant Roche has represented up to 3% in the MSCI Europe index.

Roche received approval for its new haemophilia drug Hemlibra (ACE910) in November 2017. The uptake of Hemlibra was successful for Roche to offset decreasing sales of its older drugs going off patent, while the space had become quite competitive, with peers including other key holdings across our equity platform like Novo Nordisk and Shire.

**One month following FDA approval, we designed a Grassroots® Research study to:**

- Assess the attractiveness of Hemlibra for haemophilia patients
- Assess prescription rates over the next 12 months
- Estimate the level which patients will be switched from other drugs to Hemlibra

**The results of speaking with 15 haemophilia specialists in the US provided a clearly positive signal:**

- Hemlibra was considered as an attractive or very attractive medication by all sources
- More than 80% expected to treat appropriate patients with Hemlibra in the next 12 months
- Slightly more than 75% were very likely to switch patients from other drugs to Hemlibra

**How accurate was our reality check?**

Just over a year later, nearly 100% of new prescriptions for the appropriate patient group were for Hemlibra, while prescriptions of Shire's haemophilia drug fell by 80% since its launch in January 2018.

**Our investment teams had a well-observed information advantage of up to 12 months over this official data.**

**Grassroots® Research in action: 2****A warning signal from Grassroots® Research**

Aveva, previously a long-term holding of the Allianz Europe Equity Growth strategy, was a UK-based designer and marketer of 3D software for the oil & gas, marine and power markets. When Aveva announced a combination with the software assets of Schneider Electric in mid-2015, the market took a positive view on management's vision to diversify into new complementary areas and penetrate owner-and-operator markets. The stock increased 30%, which helped our equity strategy.

**To gain a deeper understanding of the synergies and benefits that Aveva could realise with this transaction, the investment team commissioned a tailored Grassroots® Research report.** After interviewing a set of managers and software engineers closer to the products of these companies, the report concluded that over two-thirds did not believe the new integrated software suite would be

beneficial to their clients and would not lead to the proclaimed cross-selling opportunities.

The Grassroots® Research report – alongside broader discussions on the equity platform and conversations with both Aveva and Schneider Electric management – led the investment team to become increasingly sceptical of the benefits of the deal and also the probability of the deal going through. The position was therefore sold in October 2015.

Two months later, in December 2015, came the announcement that the deal had fallen apart. As a result, Aveva stock dropped 30%. **Grassroots® Research enabled us to have a clear information advantage and anticipate the complexities that led to the collapse of the deal. This decision contributed 30 basis points to relative performance.**

**Grassroots® Research in action: 3****Understanding the pandemic's potential impact**

From March to September 2020, **Grassroots® Research published nearly 110 reports linked to the Covid-19 pandemic.**

Some examples of the research that gave us a head start:

- **Fast food:** understanding how the lockdowns affected fast food chains and delivery services, most simply by measuring foot traffic in the US and Europe. Additionally, we interviewed 125 franchise owners and restaurant managers in China, France, Germany, the UK and the US, along with over 900 food delivery consumers in Germany and South Korea.
- **Online education:** numerous software companies stepped up to fill the need for virtual classrooms. We sought the winners while questioning whether the trend was here to stay. Research included interviews with 70 public and private education providers in Germany, France, the UK and the US, as well as an online survey of 860 parents in China.
- **Pet ownership, manufacturing resumption, real estate markets, vacation bookings and digital payment trends** were among the other quickly evolving areas where we used Grassroots® Research to gain our own proprietary insights.

The above information is used for the purpose to demonstrate AllianzGI's research technique, it is not a recommendation or investment advice to buy or sell any particular securities and should not be considered investment advice.

For more information, please visit our website: [www.allianzgi.com](http://www.allianzgi.com)

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