



Changing Tastes

Much of the growth in emerging-market countries can be attributed to the growth of the middle class, rising per capita incomes, a young demographic, increasing urban living and a developing preference for convenience and brands.

Taking advantage of these trends are two companies: M Dias Branco in Brazil and Universal Robina Corp. in the Philippines. Both companies market branded products that are priced at a small premium to locally produced foods, but substantially below products from multinational firms. For example, Universal sells a bag of potato chips for 20 cents. A similar sized bag of Frito-Lay chips costs \$2.

M Dias Branco, 1.6% of Baron Emerging Markets Fund

as of 12/31/11, sells cookies and crackers, 54% of sales; pasta, 25%; wheat flour & bran, 17%; and margarine and shortening, 4%. With an 18% share of the biscuits market, and a 23% share of the pasta market, M Dias Branco is the single largest producer in Brazil. We think the company has opportunities to growth both from expansion of its existing businesses and by acquisition.

Universal Robina (1.1%) is now the Philippines' leading marketer of snack foods, ready-to-drink tea, and chocolates and candies. It is second in cup noodles and instant coffee and third in biscuits. Starting in 2000, Universal began to expand its reach to neighboring countries. It is now among the market leaders in Thailand and Vietnam. It has also entered Indonesia, Malaysia/Singapore and China/Hong Kong. Today, its international business accounts for 29% of group sales and 38% of branded consumer sales.

(Baron International Growth and Emerging Markets Funds invest primarily in non-U.S. growth companies. In this column, Portfolio Manager Michael Kass examines the companies, industries and events that he believes will influence the Funds in the months to come.) Current and future portfolio holdings are subject to risk. 🏰