



Tracking Investment Opportunities in Transportation

Driverless cars and trucks have dominated the headlines lately, but the technology to automate freight trains is moving forward at a faster pace. New automation technologies are fueling growth, increasing efficiency, and opening new investment opportunities in the railroad industry, says T. Rowe Price investment professional Andrew Davis, who focuses on transportation in North America. Rail companies are working toward driverless trains, automating loading procedures, and improving signaling to safely increase the number of trains on tracks. “Today, railroads have nearly reached the limit of physical growth because there isn’t enough room to build new tracks where they are needed most,” Andrew says. “But automation technologies can give rail an advantage over other transportation methods.” Choosing the right company with strong long-term potential is critical, and the companies best positioned in the evolving transportation industry can give T. Rowe Price investors a competitive edge. Andrew uses data-driven and field research to find the most promising investment opportunities. “I go on the road several times a month to see companies at their headquarters, to talk to competitors, and to pick up on subtleties in work cultures that you wouldn’t be able to identify from behind a desk.”

Going beyond the numbers reveals the full story

At T. Rowe Price, our investment approach is to go beyond the numbers when



Talking with
Andrew Davis

Investment Professional, T. Rowe Price

evaluating which companies offer the best future investment potential. By meeting with executives and employees firsthand, we can ask the right questions to get a deeper understanding of where a company stands and where it could go in the future. This rigorous research strategy is integral to Andrew’s investment process.

Field research builds insight

When he is out on the road, Andrew can see signs of future problems that can help him form a clearer picture of a company. A few years ago, he traveled to a family-controlled rail and trucking operation in the Midwest that began to underperform in some key metrics. The company was owned by many T. Rowe Price portfolios. Management, Andrew says, tried to impress him. “They had the most opulent new headquarters, a marble table three inches thick that stretched 50 feet. They were showing this brilliant art work to me,” he recalled. “I realized that this was now a company that wasn’t run for shareholders. You can only pick up this kind of information when on the road.” To be sure, Andrew didn’t base his decision to recommend that portfolio

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managers eliminate this holding solely on the visit. It was the combination of the underperforming data, understanding management's motivation, and the on-the-ground view into the changing culture that informed his ultimate decision. The big misconception in the railroad industry is that since the companies have been around for so long, they are about as efficiently run as possible, Andrew says. But every day, he spots inefficiencies, and where there are inefficiencies, there is investment opportunity.

Positioning for future change

Andrew is keeping a watchful eye on the industry to get ahead of change for investors. He collaborates with T. Rowe Price analysts who cover energy, retail, and real estate—and whose research factors into transportation issues—to gain wider perspectives. Building from many different avenues of research—from reading up on a complex industry and analyzing data to visiting company offices—offers valuable insights to help Andrew make thoughtful investment recommendations that could reward investors down the road.

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