

nabtrade webinar

GROWTH OPPORTUNITIES IN 2020



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GROWTH OPPORTUNITIES IN 2020 WEBINAR



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Magellan Financial Group



TIM SAMWAY

Executive Chairman
Hyperion Asset Management



GEMMA DALE

Director, SMSF and Investor
Behaviour
nabtrade

What we'll discuss

- How the direction of interest rates is a key swing factor in identifying the best opportunities into 2020 and beyond
- How lower long-term rates have favourable implications for the value of certain companies
- Examples of these tailwinds and stock ideas that stand to benefit
- What the wealthiest members of society are spending more on
- Why the demand for luxury products is at an all-time high and expected to continue, and
- Which products and services do relatively well in recessions.



45 minutes

Q&A Session



15 minutes

Don't forget, you can submit questions at any time.

You can also download the presentation

Growth in 2020 (and beyond)

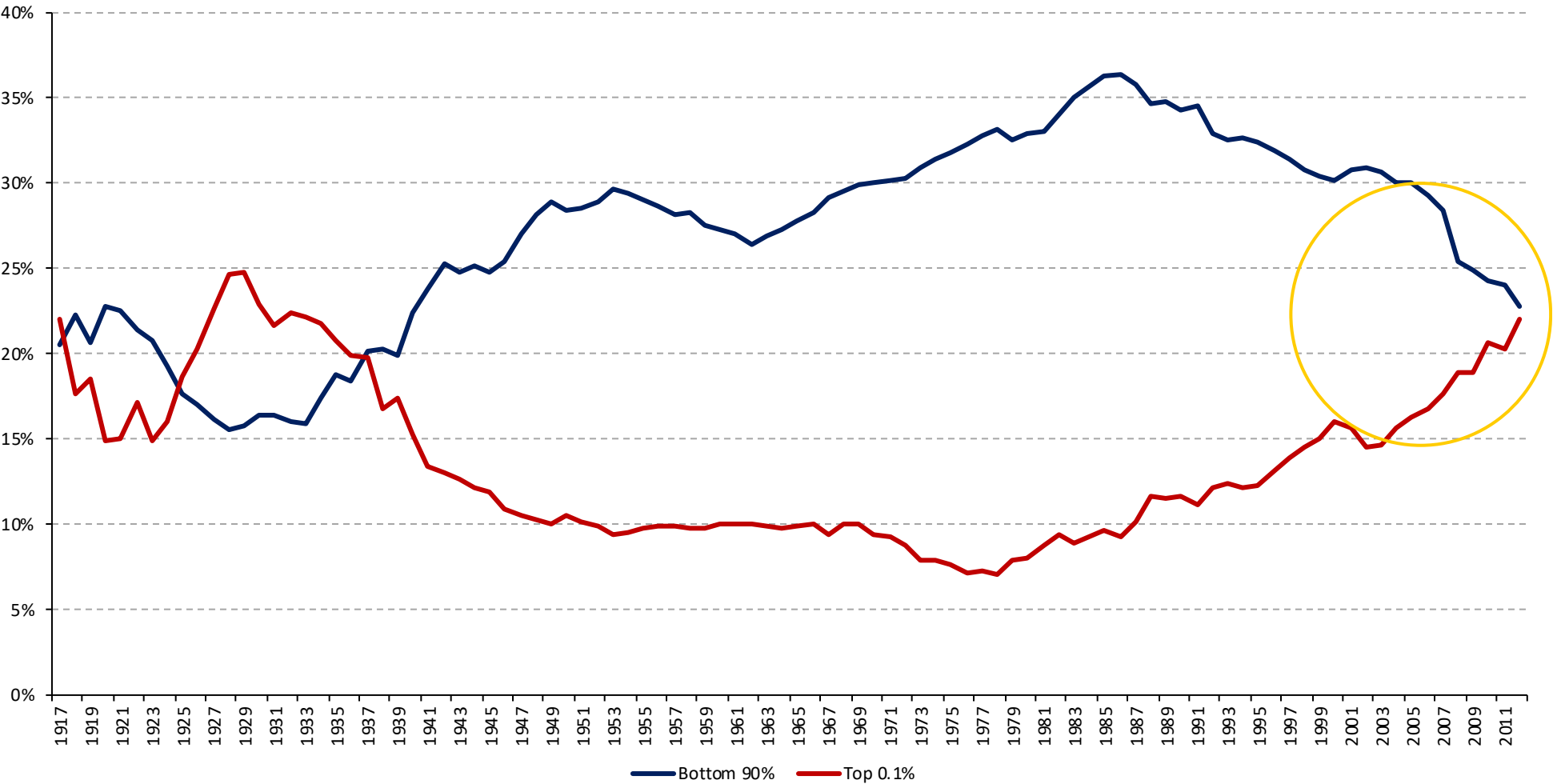
Luxury is the new black

Tim Samway, Executive Chairman



The wealthy are now uber wealthy

Wealth of the top 0.1% now equals the wealth of the bottom 90%
% of Total Net Household Wealth



Sources: Hyperion, Emmanuel Saez & Gabriel Zucman. NBER working paper 20625

Ferrari

Long waiting lists, loyal customers, and rising prices

- During the GFC, Ferrari's order book dropped only 4%
- Other luxury car companies' books dropped 40%+
- Most high-end Ferraris are really just collectors' items
- >40% of Ferrari owners own more than one Ferrari



Hermes

Long waiting lists, loyal customers, and rising prices

- Increased sales during the GFC
- Birkin and Kelly bags resell for more than they sell new
- The Kelly bag has appreciated 500% in the last 35 years
- The high-end products are not found in store
- Hermes control all parts of production to control quality



Images source: unsplash.com

Moncler

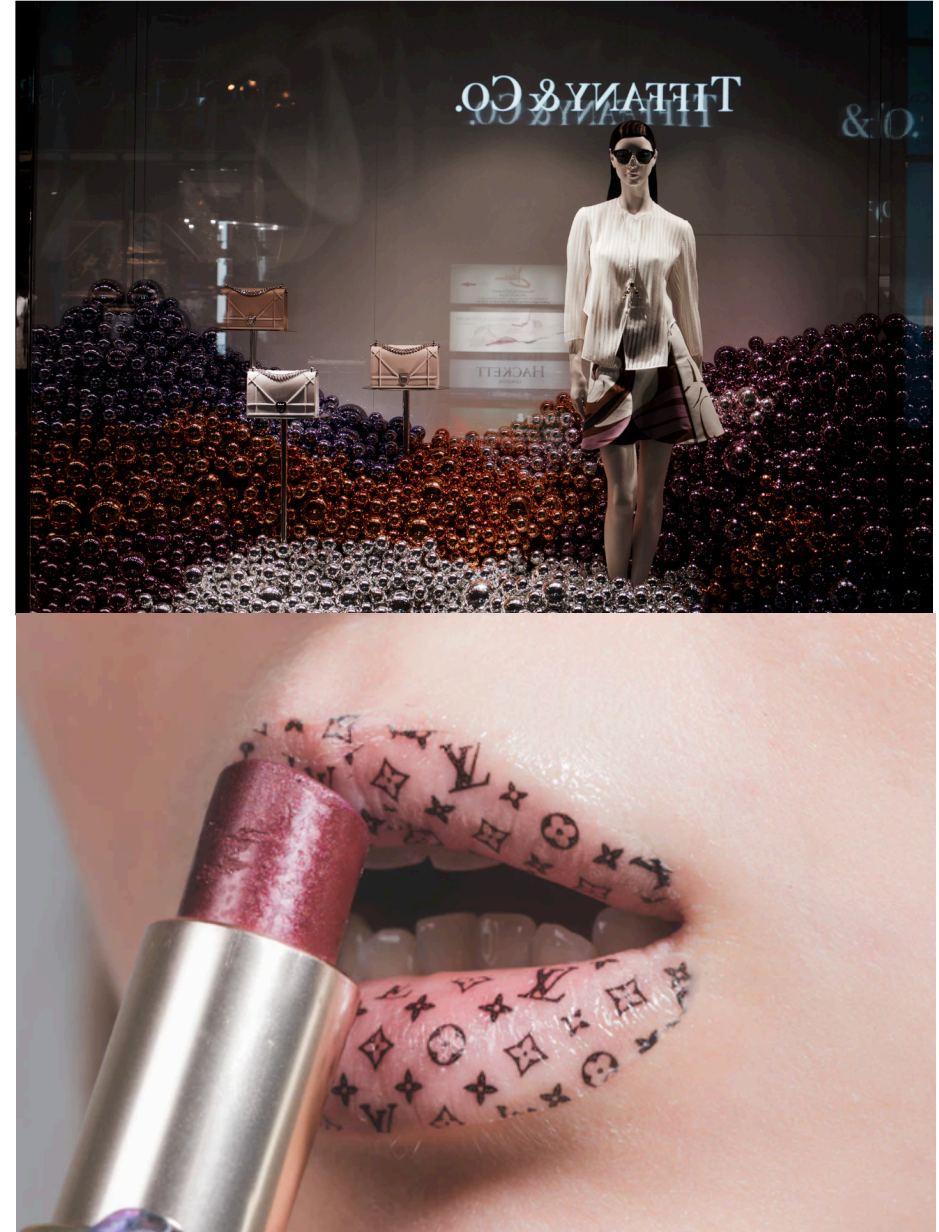
Moncler was a near bankrupt French skiwear producer until Remo Ruffini took over in 2003

- Virtual scarcity drives demand
- The best-selling Maya jacket (3700 USD) not displayed in store
- Sales driven through social media
- Not much competition to the brand



Moët Hennessy Louis Vuitton is a luxury brand conglomerate that owns nearly 80 different brands including wines and spirits, fashion and leather goods, perfumes and cosmetics, watches and jewellery

- Everything from Château d'Yquem to Sephora, Cloudy Bay to Bulgari, Louis Vuitton to Dom Pérignon
- In the process of taking over Tiffany
- Many of these brands are aspirational
- Focused on building the Asian market but with a solid base camp in the USA



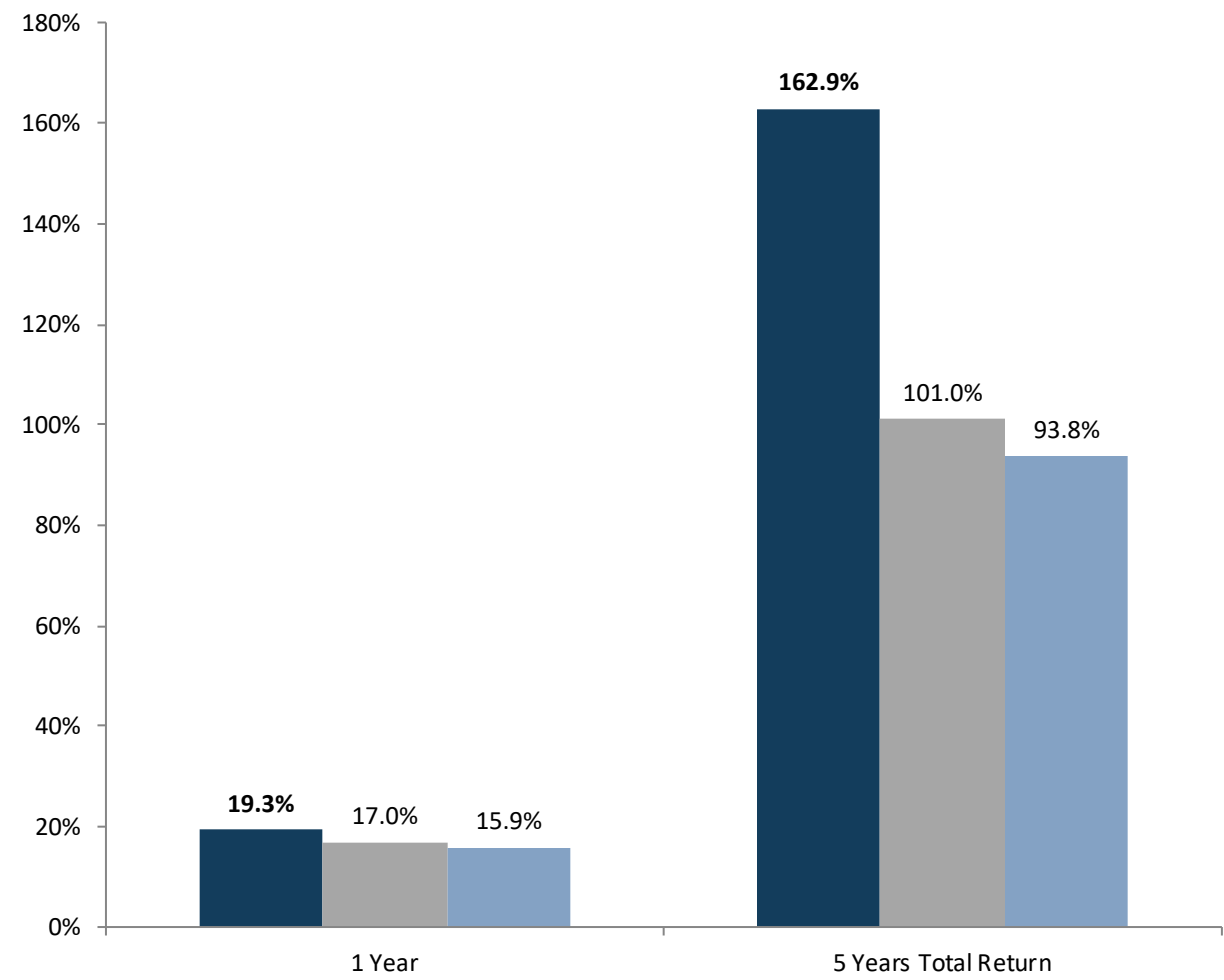
Kering

Kering holds a number of apparel, jewellery and footwear brands including Gucci and Balenciaga, Stella McCartney, Pomellato just to name a few

- The “Street Luxury” segment is for the wealthy young
- Gucci is their main brand now focussed on Millennials
- Gucci grew sales during the GFC, driven by store rollouts



Hyperion Global Growth Companies Fund is available as HYN04 on ASX mFunds



Hyperion Global Growth Companies Fund (Class B)	
Management Fee	0.70% p.a.
Performance Fee	20% p.a.

- Hyperion Global Growth Companies Fund
- Competitors
- MSCI World Accumulation Index (AUD)

Top quartile performance from Hyperion at a below average cost

Returns are net of fees. Past performance is not a reliable indicator of future performance.
As at 31 October 2019. Source: Morningstar.

Disclaimer

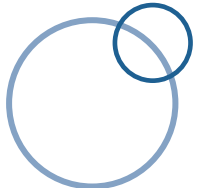
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Growth opportunities in 2020 with nabtrade

Vihari Ross

December 2019

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The direction of interest rates

Rates and Markets

US 10YR Govt Bond Rate vs. S&P 500 Index YTD



Sources: Bloomberg.

Near Term Risks are Driving Lower Interest Rates

Scenario one

No growth or
inflation shock
(modest Fed cuts)

- Market
implications
- Bifurcated market
 - Defensive and growth assets likely to do well
 - Financials/cyclicals more challenged

Probability

12 month
change

~50%

Broadly unchanged

Scenario two

Negative growth
shock
(Fed eases
aggressively)

Uncertain market impact
(depends on severity)

~30%

↑

Scenario three

Inflation shock
(Fed tightens)

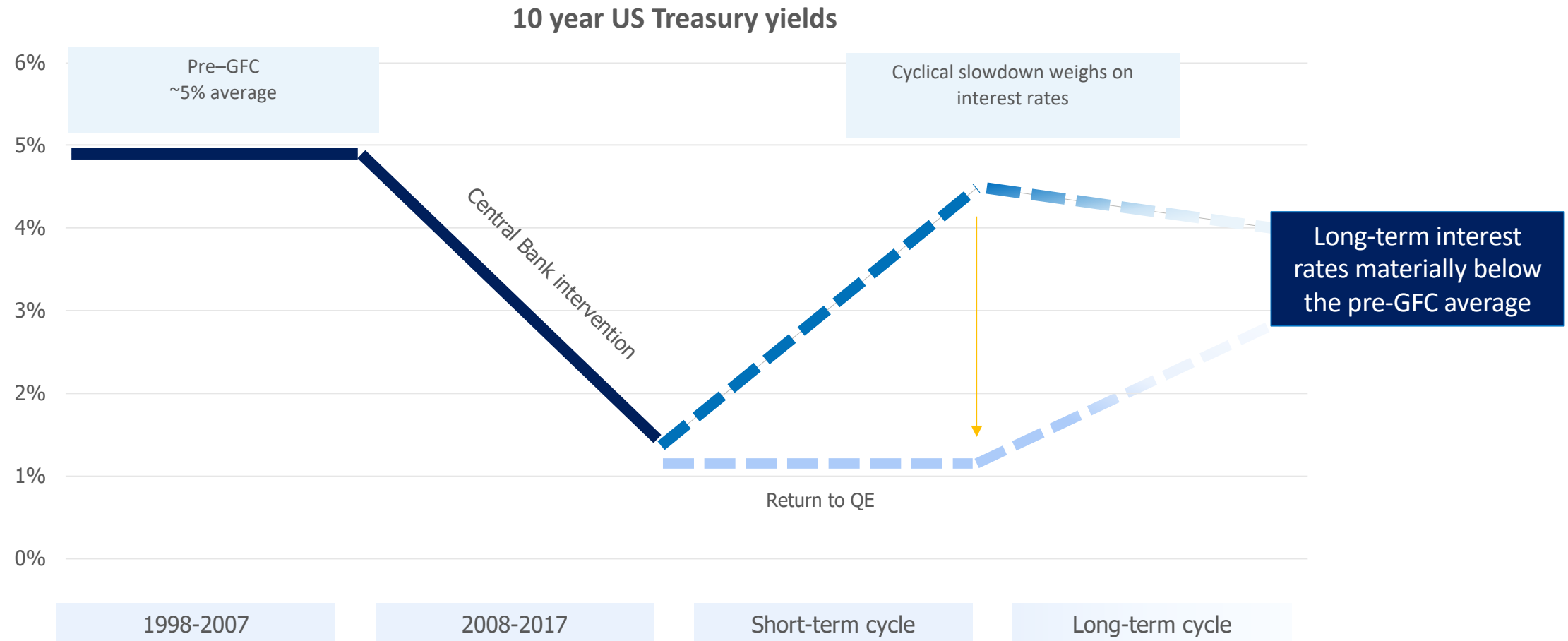
20-30% market
correction conceivable

~20%

↓

An inflation shock remains the largest risk for markets

Interest Rates in the Long-term

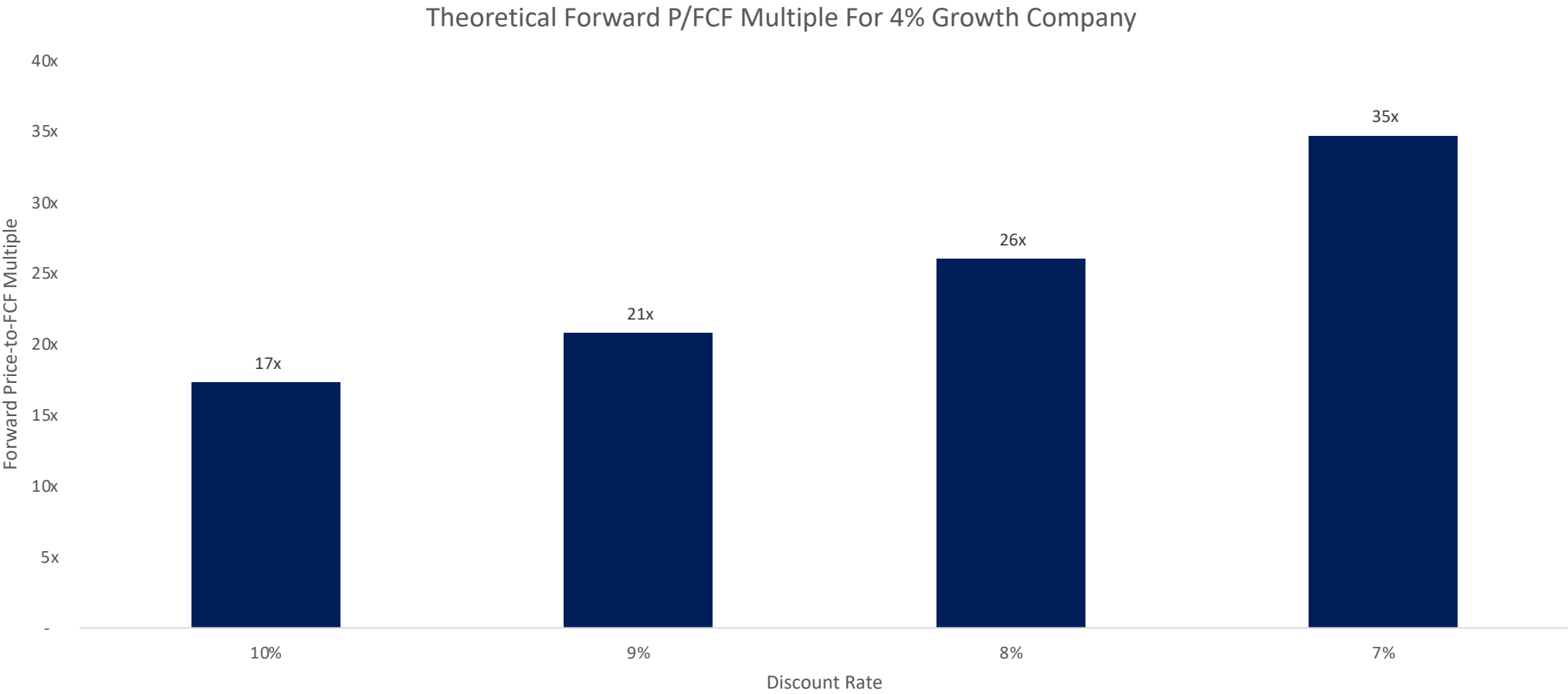


We have reduced our risk free rate assumptions



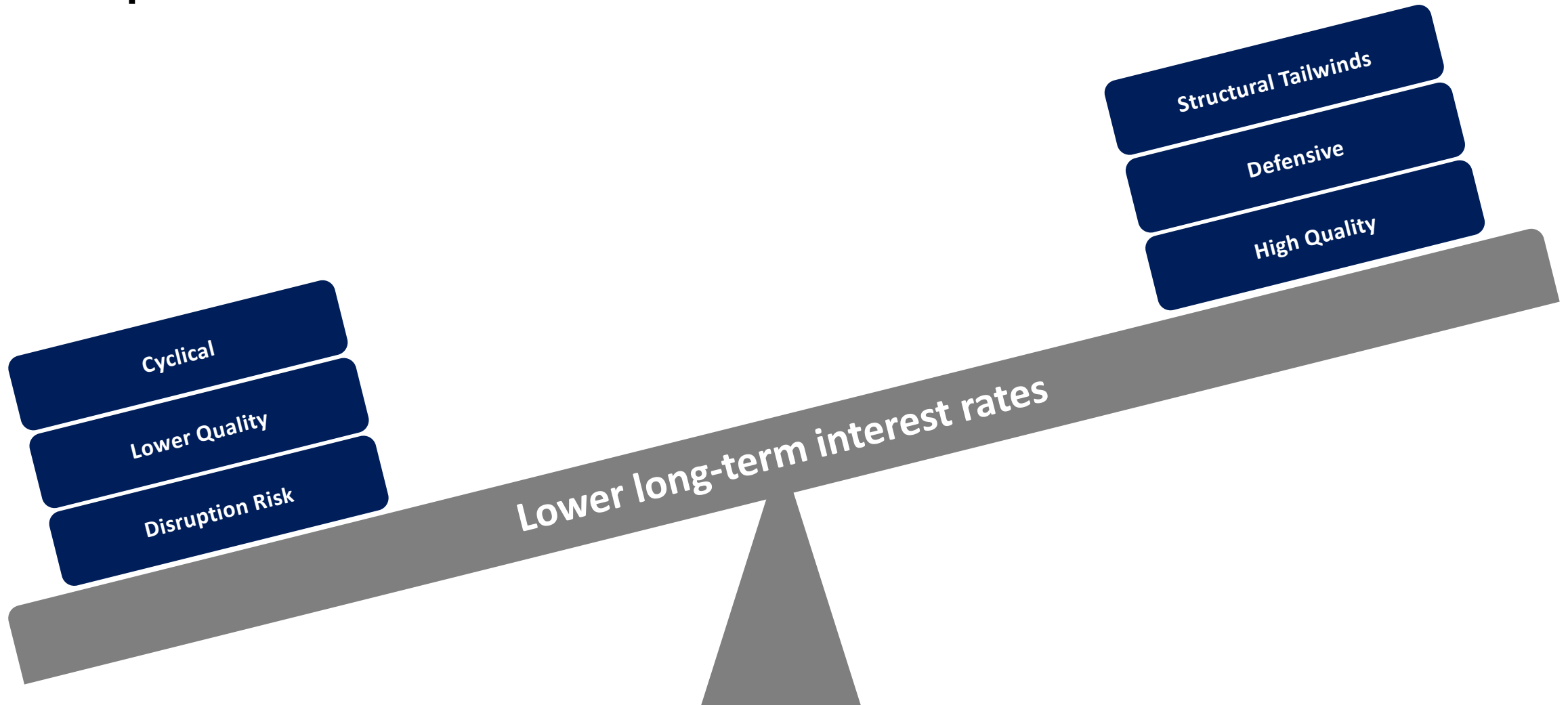
Implication of lower long-term interest rates

Lower Interest Rates Lifts Valuations



Lower rates have a positive valuation impact
for businesses that can sustain growth

Implications for Valuation





Structural Tailwinds

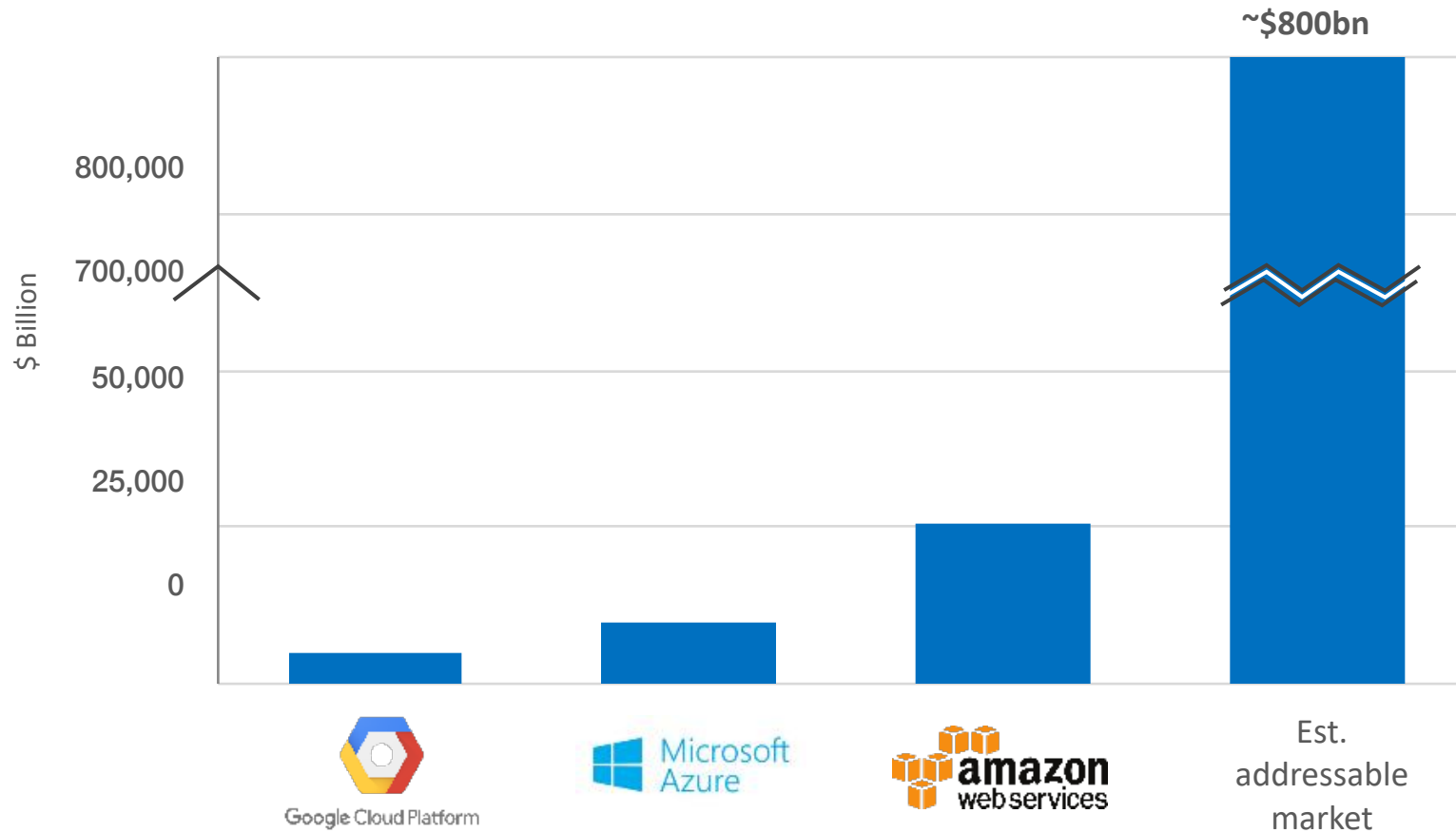
What is a secular growth trend?

Secular growth or mega trends are societal or demographic shifts that are unrelated to cyclical factors



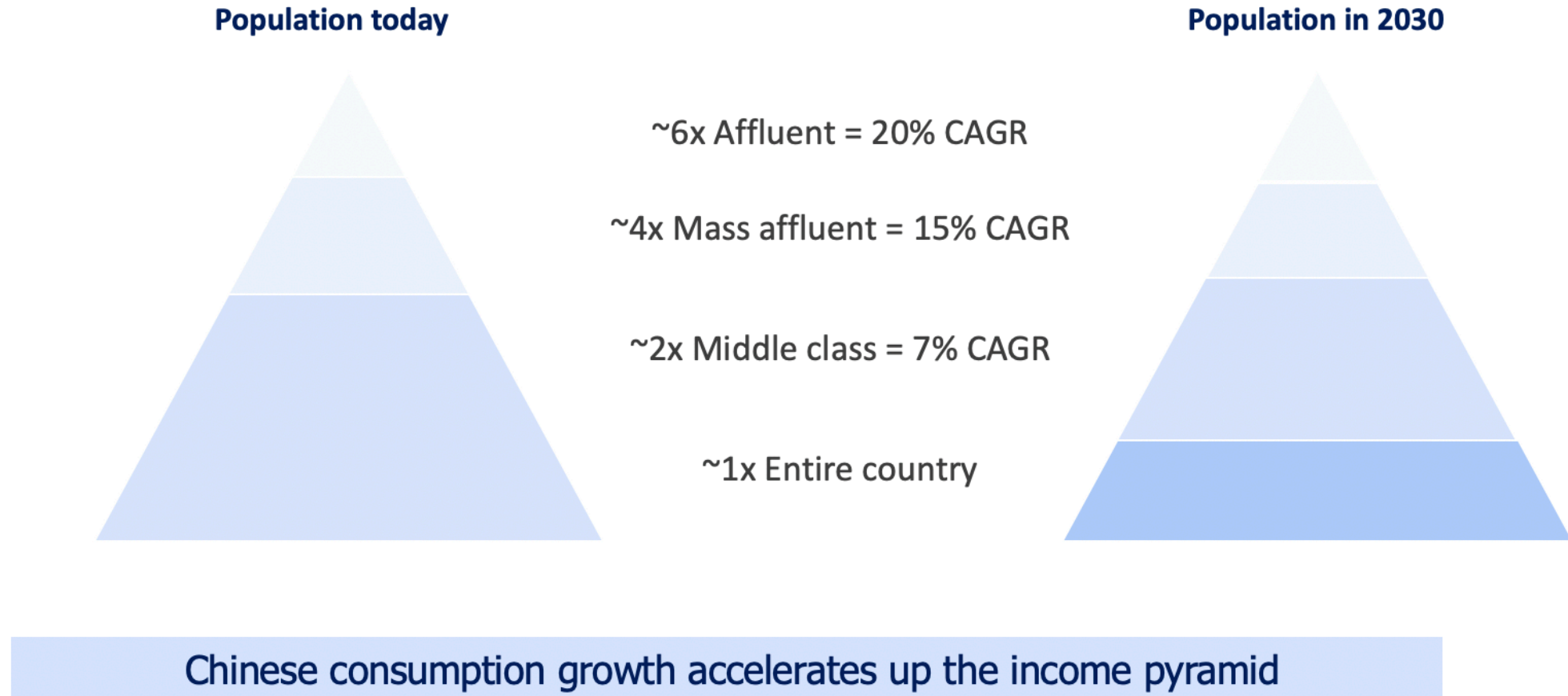
Cloud Computing Platforms

Cloud infrastructure



**Google Cloud
a massive
opportunity
for Alphabet**

China Consumption Growth





Alibaba case study

Alibaba Investment Overview

- Dominant Chinese platform with sustainable growth and significant upside optionality

China e-commerce is an attractive industry with significant growth tailwinds

Alibaba's profitable e-commerce business supports investment in new ventures

Significant upside from nascent businesses exists

Alibaba represents compelling value

Largest e-commerce platform globally

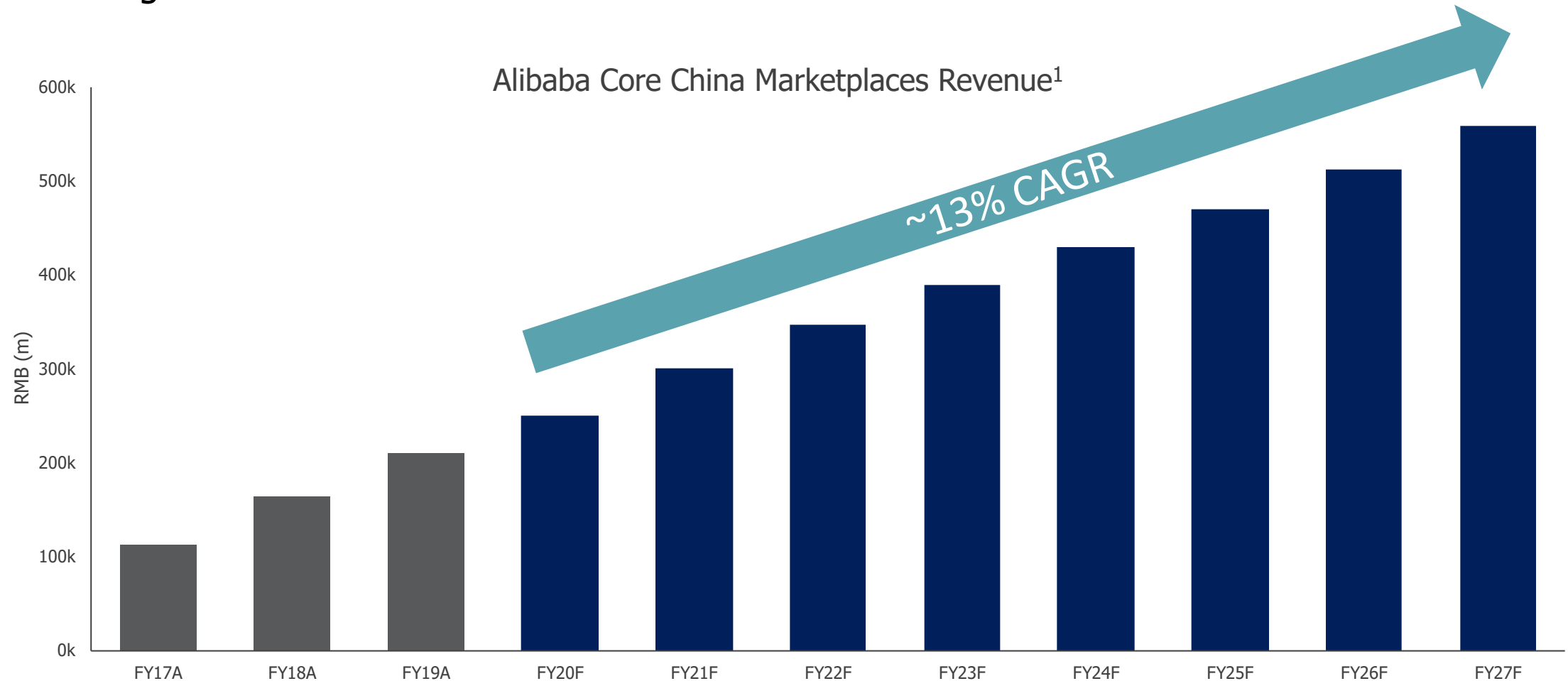
- Advantaged position to capture growth in Chinese consumer expenditure



Source: Euromonitor International Limited [2019] © All rights reserved. E-commerce market share based on Euromonitor. Alibaba Annual Active Customers as at June-19, eBay (182 million) as at June-19, per company disclosures. Alibaba GMV as at FY19 year-end (Mar-19), converted to USD at 6.7112, per company disclosures. Amazon GMV based on company disclosures and Magellan and third-party estimates for the 12 months to Mar-19.

Favourable industry tailwinds

- Growing addressable market for e-commerce in China

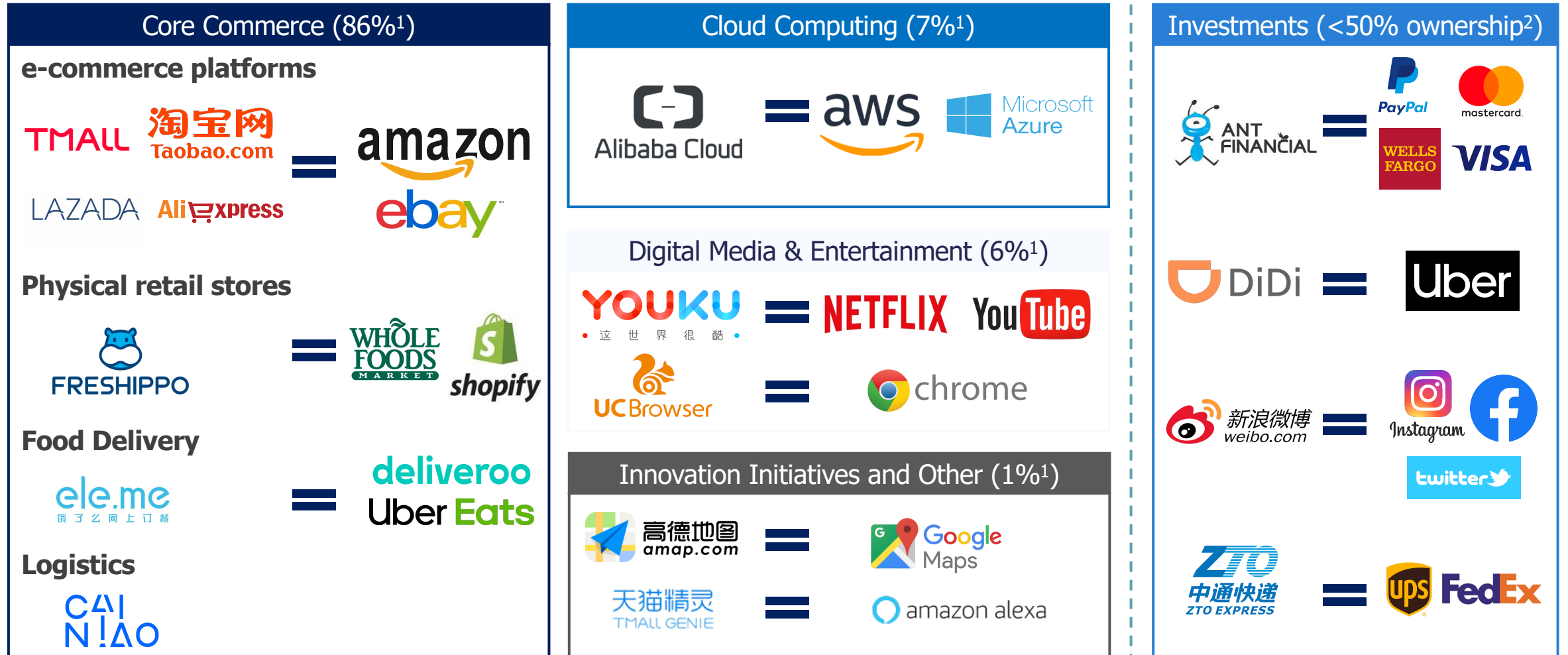


Source: Based on Company disclosures and Magellan estimates.

¹ Core China Marketplaces refers primarily to Taobao and Tmall (excludes New Retail ventures and cross-border).

Expansive ecosystem

- One of the most diversified and expansive ecosystems globally



¹ Percentages reflect segment % of Alibaba Group revenue in FY19 (Mar-19).

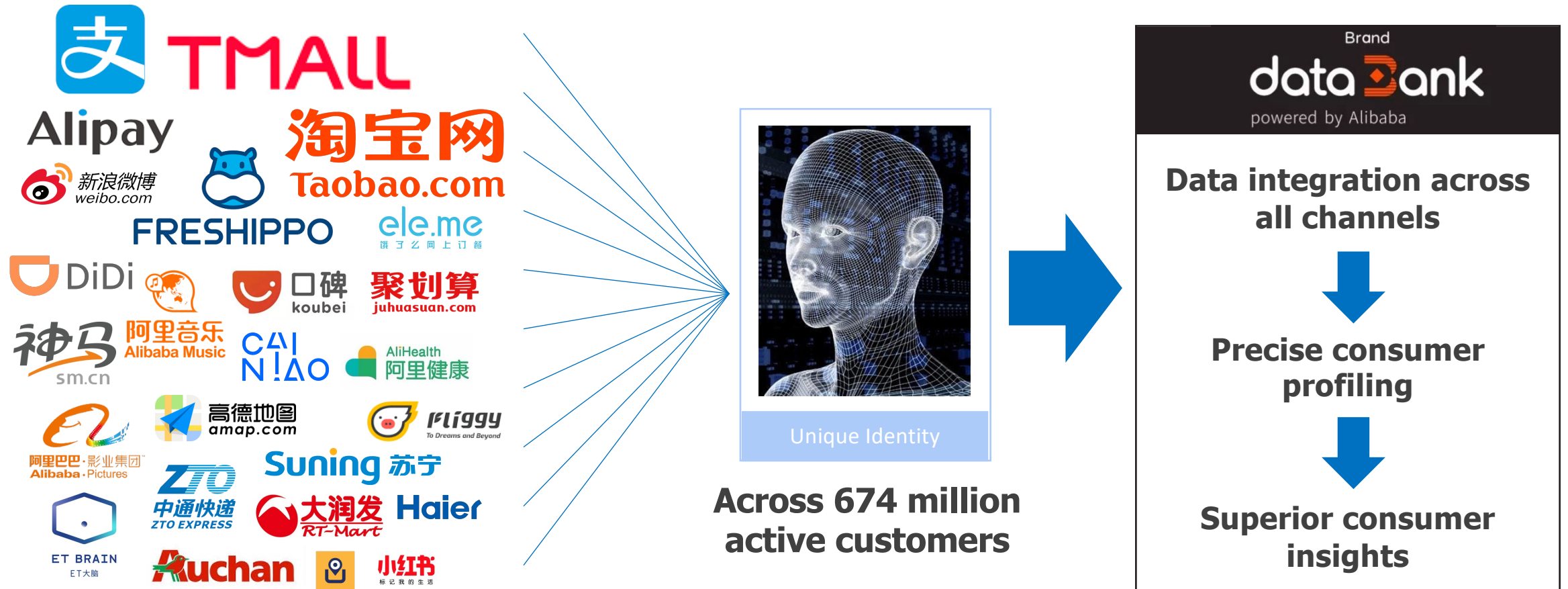
² Selected investments. Not consolidated within Alibaba's group financials.

Valuable databank

- Extensive consumer touchpoints and unique ID technology creates valuable databank

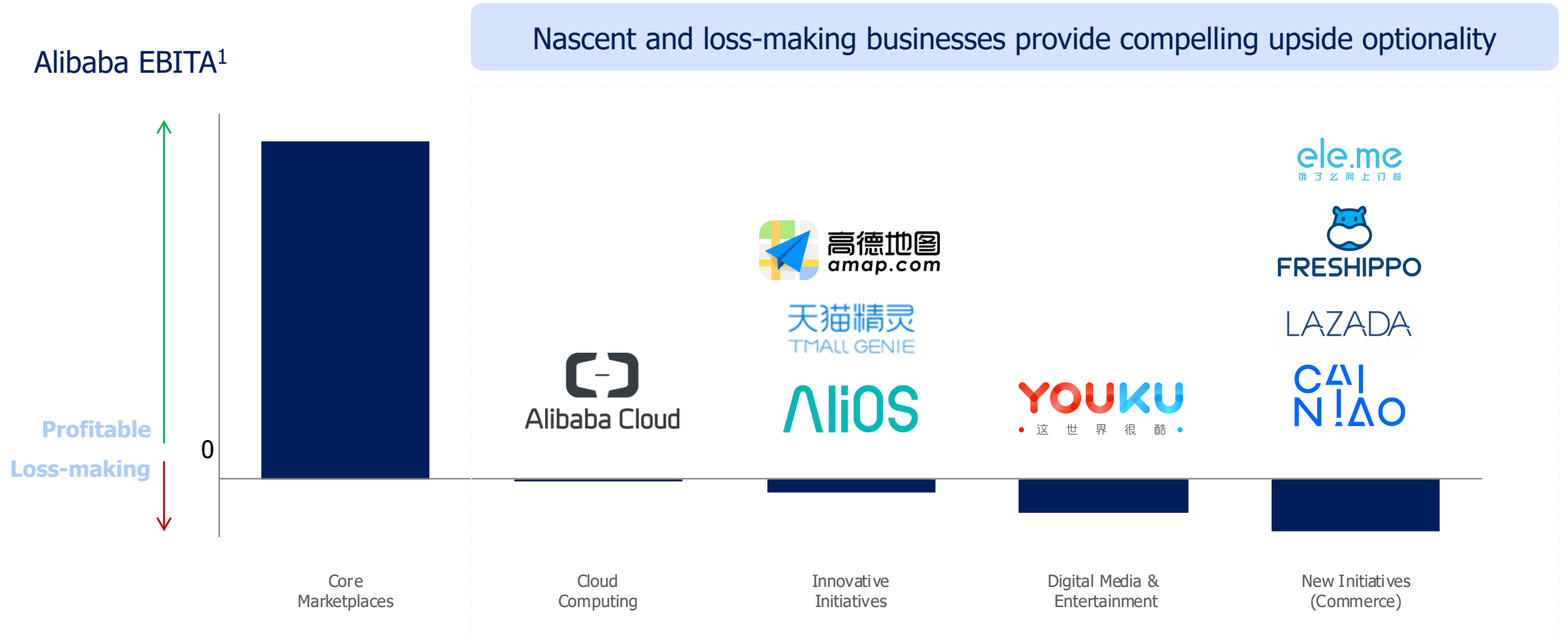
“...we know in the future no company, no country, no business can survive without data, so we have to focus on data.”

Jack Ma, Alibaba founder, 2017 Investor Day



Significant upside potential from nascent businesses

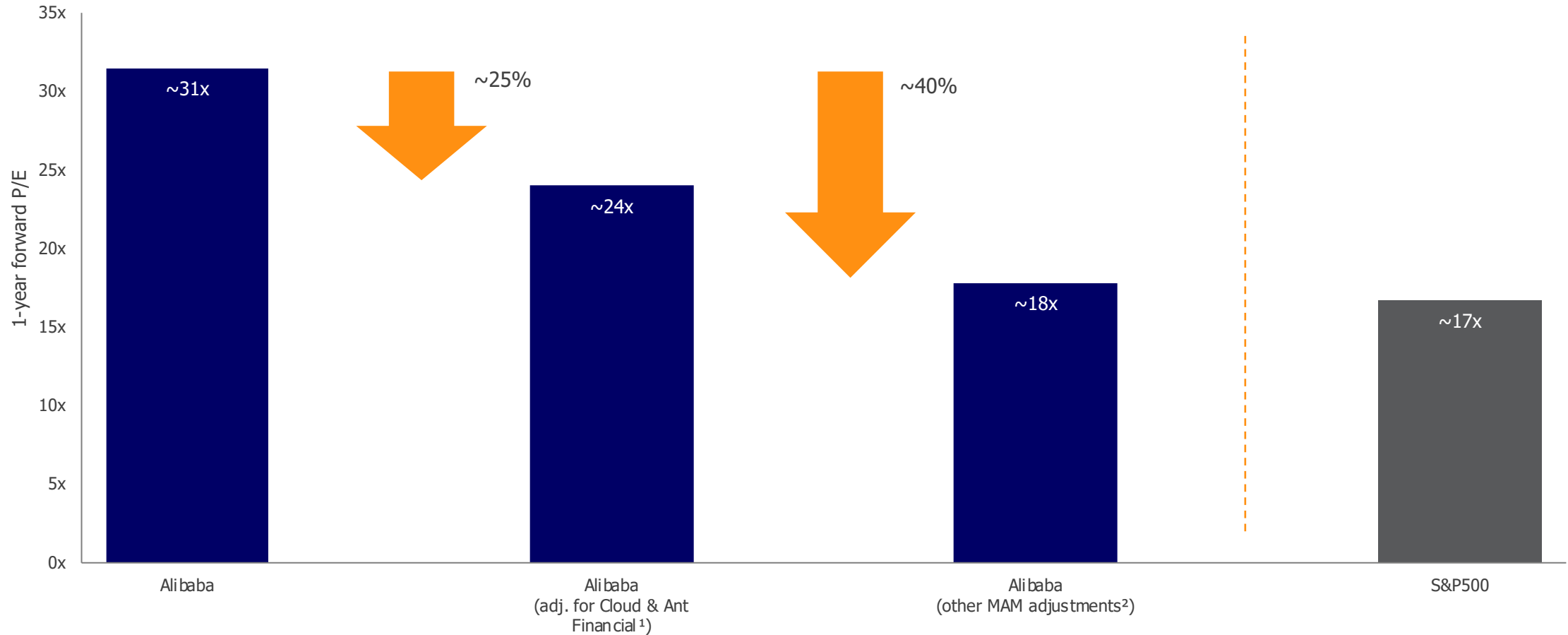
- Profitable e-commerce business supports investment in new ventures



¹ Based on FY19 (Mar-19) result. Alibaba-defined EBITA excludes impairment, amortisation of intangible assets and stock-based compensation.

Alibaba's valuation is compelling

- High quality, high growth business at an attractive valuation



Source: Magellan estimates, including stock-based compensation expense. Based on Bloomberg pricing and estimates as at 6-Sep-19.

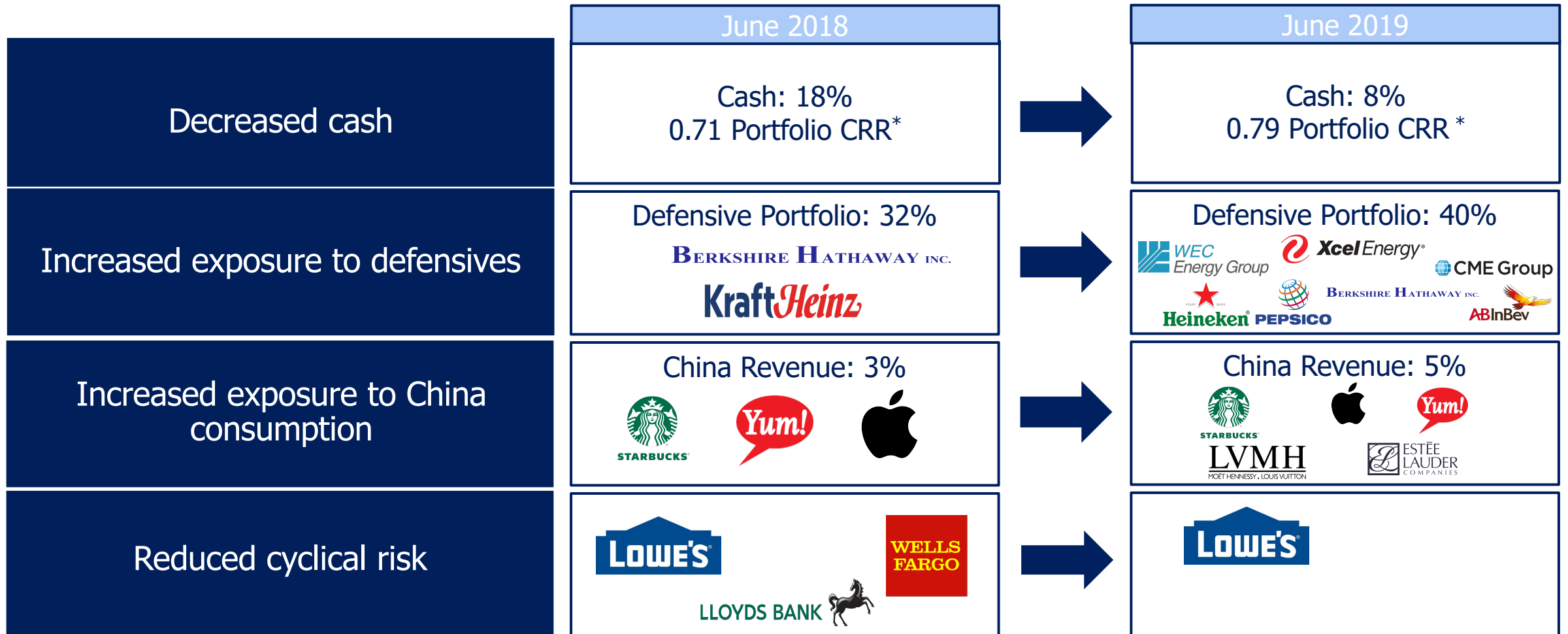
¹ Removes losses. Assumes value of ~US\$65bn for Alibaba Cloud and US\$100bn for Ant Financial.

² Magellan adjustments for New Retail (Hema), Lazada, Ele.me, Digital Media and Entertainment, Innovative Initiatives and minority investments.



Portfolio Positioning

Portfolio Implications



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Q&A!

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