nabtrade investor room

Insights Book

8
market
experts

364
collective
years of industry
experience
in the room

16
investment
sectors
covered

36
key insights
delivered

nabtrade
investor
room

Insights from our

industry specialists

Blair Hannon

**ETF Investment Strategist A/NZ,
Macquarie Asset Management**

Blair has over 18 years' experience across investment management, HNW advice, distribution and presenting. He brings investment ideas to wealth managers and direct investors across all asset classes, with a focus on equities, fixed income, passive and active funds and alternatives.

01
Key takeaways

While systematic investing is complex in nature and doesn't suit a DIY approach, having access to this style of investing may be beneficial for investors seeking active potential above-index returns.

02
Emerging trends

Systemic investing is not a new phenomenon, but it has historically been difficult for everyday investors to gain access to this style of investment. Exchange Traded Funds (ETFs) have overcome that barrier by opening the door for investors to access strategies that have previously generally only been offered to institutions. Investors can now access systemic investments through a simple trade on the ASX via ETFs.

03
Future challenges

There remain many myths abouts systemic investing, including that it is too complex to understand, that it is a 'black box' or that it is just high-frequency trading. However, while systemic investing can seem complex, knowing that the signals used stem form fundamental and market data, which we all know and understand, can provide some comfort.

Alex Pollack

CIO, Loftus Peak

Alex is Chief Investment Officer at Loftus Peak, a global fund manager with a focus on investing in global listed blue chip disruptive businesses. With 25 years' experience in equity capital markets, Alex uses five key themes to shape his investment strategy: networks, connected devices, the cloud, data and energy.

01

Key takeaways

Disruptive change is affecting valuations of companies around the world. It is more risky to avoid it than to invest in it.

02

Emerging trends

Growing use of processing power from the silicon chip in all industries. Most recently, growth of artificial intelligence, which changes the way companies execute their business processes. We give examples of how this works in the presentation

03

Future challenges

The challenges generally are for business to keep up with an accelerating rate of change, or risk getting left behind with higher cost less effective processes.

Dania Zinurova

Portfolio Manager, Wilson Asset Management

Dania has held senior investment roles in Australia, the US, Europe and the UK throughout her 24-year career. She joined Wilson Asset Management in 2020. Previously, Dania was Head of Real Assets Australia and held other investment roles at WTW in London, New York and Sydney. She was also part of the Real Estate Investment team for the US and the UK for Russell Investments.

01

Key takeaways

The importance of assessing your investment portfolio beyond its investment return potential. It's critical to consider factors such as measurable risk, inflation protection, interest rate risk exposure, resilience and sustainability of the investment returns to achieve better risk-adjusted returns.

When considering investing in private markets, you need to assess your liquidity requirement. WAM Alternative Assets (ASX: WMA) removes this illiquidity risk due to its unique structure as a listed investment company (LIC), while the underlying investment portfolio offers the complementary benefits that come with investing in private markets.

There are more than 2.5 million privately owned companies in Australia – how do we source and select the right investment? Careful and experienced portfolio construction is key to benefiting your investment returns over time. We believe a thematic investing approach is the most suitable for the WAM Alternative Assets investment portfolio and we focus on four key investment themes: climate change, growing demand for food, digitalisation and the growing ageing population.

What can we expect from a private market portfolio in terms of its risks and returns? One of the benefits of investing in alternative assets is the ability to perform throughout macroeconomic cycles. We have positioned our portfolio to ensure extensive diversification of the underlying investment exposures. For instance, infrastructure assets often act as inflation protection, given much of the revenues are earned through inflation-linked contracts, while private debt benefits from rising interest rates as the returns are structured to be a margin over a floating base.

The growth component of the WAM Alternative Assets portfolio is invested predominantly in private equity investment opportunities, which can take advantage of attractively priced assets in a market downturn, to provide outsized returns.

02

Emerging trends

There are trends that now impact all asset classes – the emergence and rapid development of artificial intelligence (AI), the more pronounced impact from geopolitical conflicts and de-globalisation. AI can be both a growth engine for a business and a catalyst for a structural change. While it is hard to predict and measure this impact, we tend to focus on businesses that are more likely to benefit from AI or be more resilient and agile. We have focused predominantly on Australian investments over the past four years, as most international investment opportunities are infrastructure assets. We have found some really exciting opportunities and made investments across digitalisation and the growing ageing population trends.

03

Future challenges

The key challenges for investors accessing private markets investments are the barriers to entry. Namely, large minimum investment requirements, the illiquid nature of those investments and the complexity and access to high quality opportunities. The WAM Alternative Assets portfolio addresses these challenges, enabling shareholders to overcome them.

Nick Griffin

Founding Partner and CIO, Munro Partners

Nick is Chief Investment Officer of Munro Partners, responsible for the investment management of Munro's key investment funds and the formulation and implementation of the propriety investment process. Nick has been managing global long/short equity mandates for over 15 years.

01

Key takeaways

The transformative impact of AI, through generative AI and large language models like ChatGPT, saw it have its 'iPhone

moment' in 2023. These technologies make AI accessible and integrated into various sectors, from coding with

GitHub's tools to creative design with Adobe Firefly. As companies globally invest in developing or integrating AI, we expect a boom in demand benefitting infrastructure providers, semiconductor companies, and large software firms. To date, the key area of investment in AI has been from hyperscalers such as Microsoft Azure, Amazon Web Services and Google Cloud Platform, who have seen their capex spending accelerate to ensure they have the capacity to host AI applications. This bodes well for continued earnings upgrades for High Performance Computing names such as Nvidia, with a large proportion of the hyperscaler capex coming in the form of Nvidia GPUs for data centres.

Further, these data centres that are required to run AI are incredibly power hungry and we now expect the demand for US power will grow for the first time in 20 years. The same hyperscalers building out this infrastructure have signed up to significant climate-related targets, focusing on reducing their environmental impact and transitioning to renewable energy. As a result, we have seen examples of data centres being built behind the metre where they plug straight into the nuclear power plant.

02

Emerging trends

Munro see this as just the beginning. Soon we expect to see AI driving growth in all our Area's of Interest. Innovative Heath looks like an obvious beneficiary as medical specialities like CT scans and radiology add AI software to cancer detection, surgical robots add AI software to improve patient outcomes, and large pharmaceutical firms use AI models to accelerate drug discovery. Elsewhere large industrial companies will use AI to build more complete digital twins, helping improve productive efficiency while also identifying problems well before construction begins. Security companies will use AI to improve video surveillance and threat detection, while many of our consumer companies will use it to improve throughput at a drive-through, better product design and inventory management. Practically every company in the world will look at this technology to see if it can improve how

they operate and the experience they provide their customers. Those companies that do not, risk potentially being disrupted by the ones that do, virtually ensuring a wave of investment in the space that will last well beyond just this year.

03

Future challenges

Hyperscalers are seeing tremendous demand for AI services, the challenge in meeting this demand comes from the building of AI infrastructure. There are several constraints on the supply side, such as Nvidia GPUs and energy to power data centres, particularly from renewable sources. An example of how to solve the hyperscalers are addressing power constraints is the signing of long-term supply agreements, such as Microsoft's long-term contract with Constellation Energy to supply all the nuclear power from the soon-to-be restarted Three-Mile Island nuclear reactor. Other challenges include the investor debate around what is the 'winner' AI app and what is the ROI for the massive investment in AI from the hyperscalers? Munro believes that just like the smartphone evolution, the winner apps will take time to play out. We have recently seen announcements from many leading software vendors such as Microsoft, Salesforce and ServiceNow referencing their new AI agent product, an upgrade from copilots. An 'AI agent' refers to a software entity designed to make decisions and take actions autonomously to achieve specific goals. The addressable market is large and primarily relates to productivity related cost savings and better customer service, allowing employees to focus on higher value-add tasks and provide better outcomes for their companies. We believe those that are platform companies and have a unified data repository will prove to have the most effective AI agents. As some of these use cases become widely adopted over time, we expect to see the investor concerns around return on investment dissipate.

Anthony Doyle

Head of Investment Strategy, Firetrail

Anthony has over 21 years' experience in global markets, economics and investment strategy, providing analysis that impacts portfolio decision-making, currency risk management, portfolio analysis and insights. Before Firetrail, Anthony worked as an investment strategist covering global capital markets.

01 Key takeaways

The primary actionable insight is to invest in Firetrail's S3GO, a high-conviction, concentrated global equity portfolio.

This recommendation is supported by several key points:

Diversified Growth and Value Exposure
S3GO offers investors exposure to both growth and value companies across various market capitalizations. This diversification helps balance risk while capturing opportunities in different market segments and economic cycles.

Global Reach
By investing in a global portfolio, Australian investors can access opportunities beyond their local market, potentially enhancing returns and reducing country-specific risks.

Professional Management
Firetrail's expertise in selecting and managing a concentrated portfolio of high-conviction stocks can benefit investors who may lack the time or resources to conduct in-depth global equity research

02 Emerging trends

Consider Exposure to Specialty Insurance Through Ryan Specialty Group

Using Ryan Specialty Group (RYAN) as an example demonstrates the type of unique opportunities available through S3GO:

Expansion of the E&S Market

The Excess and Surplus (E&S) lines market is experiencing significant growth, outpacing the traditional insurance market. This trend is driven by increasing risk complexity and the need for specialised insurance solutions. As global risks become more intricate, more exposures are being pushed into the E&S market, where there's greater flexibility in rate and form.

Consolidation and Panel Reduction

Large retail brokers are consolidating their wholesale partners, leading to a concentration of business among fewer, more sophisticated trading partners. This trend favours Ryan Specialty, which have the scale and expertise to meet complex needs.

Inflation-Protected Revenue Model

Ryan Specialty's business model is inflation-protected, as insurance premiums tend to rise with inflation. This characteristic provides a natural hedge against economic uncertainties.

03 Future challenges

Embrace a Puzzle-Solving Approach to Investing

By likening investing to solving a puzzle, you encourage investors to:

Think Holistically
Consider how different pieces (companies, sectors, geographies) fit together to create a complete investment picture.

Seek Unique Opportunities
Look for lesser-known or misunderstood companies that may offer significant upside potential, much like finding a crucial puzzle piece.

Remain Patient and Analytical
Approach investing with the same methodical, analytical mindset required to solve complex puzzles, rather than making impulsive decisions. This approach, combined with the professional management of S3GO, can help Australian investors navigate the complexities of global equity markets and potentially achieve superior long-term returns.

Vihari Ross

Portfolio Manager, Antipodes

Vihari is a portfolio manager with global coverage and experience in research and consumer sectors as well as quantitative analysis and strategy.

01

Key takeaways

Encourage investors to look broadly for global opportunities and pay the right price relative to growth and business resilience.

Launched over 5 years ago, Antipodes Global Shares (Quoted Managed Fund) ASX:AGX1 mirrors Antipodes' long standing Global Fund - Long and built upon our fundamental, pragmatic value approach, focused on buying great but undervalued global companies.

AGX1 offers investors access to a portfolio of global stocks via a single trade. There is no minimum investment, and you can trade AGX1 units on the ASX like a normal share.

02

Emerging trends

With investors almost singularly focused on AI, a narrow mindset overshadows some of the broader current investment opportunities available for investors. One such thematic investors should consider is the **energy transition**, currently a multi-trillion dollar underappreciated addressable market. The growing need for power, which ultimately needs to be renewable, is fuelling fiscal spending and government policy and is a truly global cycle, key differentiators from other investment thematics.

Whilst thematic bubbles are often met with market exuberance and bubble-like multiples, investors can gain access to compelling valuations across the value chain of the energy transition including enabling materials (copper and aluminium), regulated power utilities (providing renewable energy) and enabling technology (including wind, solar, battery storage and automation) all of which are represented in Antipodes Global Shares (Quoted Managed Fund) ASX:AGX1.

03

Future challenges

Over the past 12-24 months, market concentration has reached all-time highs with the top 10 companies accounting for over 25% of the S&P500 index in the US, and the top 10 companies globally accounting for over 15% of the MSCI All Country World Index. This concentration has been driven by investors herding into what can largely be described as US Mega-cap companies, that have experienced significant tailwinds from a buoyant US consumer and broader macro and thematic enthusiasm around trends like AI and electric vehicles.

Against a backdrop of higher starting multiples, looking forward, the outlook for the US economy could look more challenging as tailwinds shift more towards headwinds driven by weakening consumer resilience and tighter credit conditions begin to be felt.

At this juncture, it is important for investors to consider how elevated levels of market concentration 'unwind' and ensure their portfolios are diversified enough to capture a broadening out of performance across sectors and regions.

Antipodes' preference for a margin of safety, multiple ways of winning and diversified clusters of alpha, our portfolios are not dependant on any one outcome to generate alpha. Notwithstanding, given our stylistic bias to "value" and more recent regional preference for world ex US (a function of where we see the most attractive risk-adjusted returns at present), ASX:AGX1 can be expected to benefit from scenario whereby the market sees investors pay more attention to valuations and balance sheet quality.

Julian Campbell-Wood

Resolution Capital

Julian joined Resolution Capital in 2013 as a Senior Analyst and was promoted to Core Plus Co-Portfolio Manager in July 2015, and again to Global Portfolio Manager in October 2018. Julian specialises in the real estate sector and has previously worked as an analyst for Barclays Capital and in the real estate division of Macquarie bank, both in London.

01

Key takeaways

Global listed REITs offer investors access to investment grade economically relevant real estate portfolios in a liquid and transparent structure. The sector offers a diverse exposure and is well positioned to deliver competitive total returns as capital markets normalise, operating conditions remain supportive and development for many property sectors is uneconomic. The sector is underpinned by structural tailwinds such as the Digitisation/AI theme which is driving significant investment in the data centre sector, a key exposure within global listed REITs.

02

Emerging trends

The ongoing digitisation of the economy and explosion in demand for AI is driving a once in a generation investment cycle in digital infrastructure and particularly the data centre sector. Listed REITs provide investors one way to participate in the development of this sector via exposure to key data centre REITs such as U.S. listed Equinix and Digital Realty.

03

Future challenges

Challenges which would impact the outlook for listed REITs relate to broader macro conditions such as weakness in economic growth or further increases / instability in interest rates. For data centres specifically, supply and demand fundamentals are currently tilted strongly in favour of landlords however with development highly profitable investors need to monitor the supply cycle to ensure it doesn't tip into overcapacity and impact landlord pricing power.

James Abela

Portfolio Manager of Fidelity Future Leaders Fund, Fidelity International

James is a mid and small cap portfolio manager at Fidelity International. He is founder of the Australian Future Leaders Fund and Global Future Leaders Fund at Fidelity (Australia) with a focus on investment process and global investing.

01 Key takeaways

One of the key themes in global small and mid-cap companies is their potential for higher growth compared to large-cap firms. These companies typically haven't saturated their markets, leaving room for expansion and innovation. Additionally, they offer the ability to generate more alpha due to less investor attention, which increases the likelihood of mispriced opportunities. Through diligent stock research, investors can uncover undervalued assets that may yield strong returns. Mid-cap companies, in particular, often strike a "goldilocks zone," balancing the potential for high returns without introducing excessive liquidity risk. Moreover, many large-cap managers tend to overlook this space, further enhancing the opportunity to capitalize on mispriced assets and untapped growth potential.

02 Emerging trends

An emerging trend in the global small and mid-cap space is the long-term return opportunity these companies present. Over the past 25 years, mid-cap indices have consistently outperformed large-cap counterparts, offering an additional return premium. While investing in id-cap stocks does come with additional risk, this is adequately compensated by higher potential returns. Notably, the current valuation appeal of small and mid-cap stocks if particularly relevant, given the significant outperformance and stretched valuations in the large-cap space. This creates a timely opportunity for investors to capitalize on more attractive valuations in small and mid-cap companies, supporting the insight that this segment offers substantial long-term growth and alpha generation.

03 Future challenges

Valuations across the market have moved higher as investor mindset duration has move much longer after recession fears, interest rate and inflation fears have all subsided at the same time over the last 6-12 months. This has benefited quality and momentum companies quite significantly in many cases and these are trading at high earnings valuation multiples compared to history. In order to maintain a balanced risk approach and reduce valuation risk in an equity portfolio, it would be wise to add some value or transition names with more reasonable valuations where there is growth, certainty and good cash generation.

Disclaimer

nabtrade is the information, trading and settlement service provided by WealthHub Securities Limited ABN 83 089 718 249 AFSL No. 230704. WealthHub Securities is a Market Participant under the ASIC Market Integrity Rules and a wholly owned subsidiary of National Australia Bank Limited ABN 12 004 044 937 AFSL No. 230686 (NAB). NAB doesn't guarantee its subsidiaries' obligations or performance, or the products or services its subsidiaries offer.

This material is intended to provide general advice only. It has been prepared without having regard to or taking into account any particular investor's objectives, financial situation and/or needs. All investors should therefore consider the appropriateness of the advice, in light of their own objectives, financial situation and/or needs, before acting on the advice.

We believe the information in this video is correct at the time of compilation, but no warranty is made about its accuracy, reliability or completeness. Subject to any terms implied by law and which cannot be excluded, WSL and NAB do not accept responsibility for any liability arising out of or in relation to reliance on any information in this video.

For more information, please click here

nabtrade investor room