

**VGI  
PARTNERS**

# **VGI Partners Global & Asian Fund Updates**

FY21 Investor Briefing – 20 August 2021

## **FY21 Summary for VG1 and VG8**

### **VGI Partners Global Investments (VG1)**

- › FY21 net profit after tax: \$153.9m
- › FY21 portfolio return (net of fees and pre-tax): 25.6%
- › FY21 total shareholder return: 36.3%

### **Dividend**

- › 4% p.a. fully franked dividend yield target
- › Fully franked final dividend of 5.5c for FY21
- › 30 Aug 2021 – DRP election due
- › 29 Sep 2021 – payment date

### **VGI Partners Asian Investments (VG8)**

- › FY21 net profit after tax: \$58.8m
- › FY21 portfolio return (net of fees and pre-tax): 15.0%
- › FY21 total shareholder return: 27.6%

### **Dividend**

- › 4% p.a. fully franked dividend yield target
- › Fully franked inaugural dividend of 5.5c
- › 1 Sep 2021 – DRP election due
- › 29 Sep 2021 – payment date

## Key VG1 and VG8 Initiatives

### 1. VG1 and VG8 Dividend Policy Targets

- › Intention to target a fully franked dividend yield of 4% p.a.
- › VG1 final dividend of 5.5c fully franked; VG8 final dividend of 5.5c fully franked

### 2. Enhanced Adviser Relations and Shareholder Communication

- › Recent hire of CEO and Sydney-based Head of Distribution to accelerate adviser engagement
- › Increased focus on large investors who can build stakes in VG1 and VG8 (noting VGI Partners' is not currently seeking additional AUM from new clients<sup>1</sup>)
- › Monthly NTA now includes Top 10 Long positions (71% of VG1 NAV, 67% of VG8 NAV) and enhanced commentary
- › Quarterly portfolio update webcasts with the Senior Investment Team

### 3. Capital Management

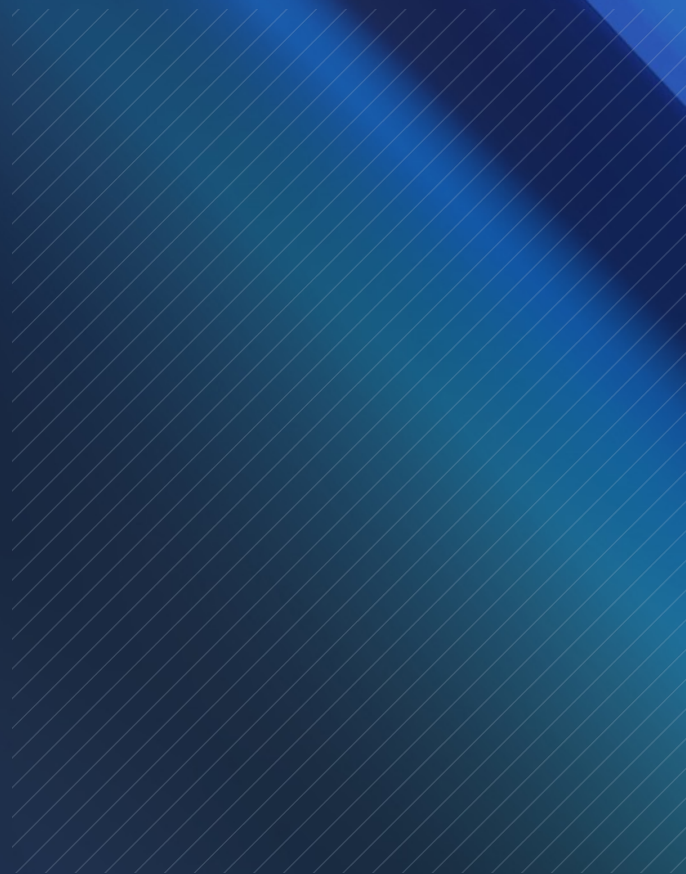
- › VG1 on-market buy-back announced in August 2020 – over 26m shares or 6.4% of VG1 capital has been bought back
- › VG1 buy-back extended in August 2021 for a further 12 months

<sup>1</sup>Excluding c.\$15m of capacity in the Charitable Foundation Class of the VGI Partners Master Fund.

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# VGI Partners

The Manager



## Our Philosophy

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› Absolute return focus – 10-15% p.a. compounding target, through the cycle

› A long-term investment horizon provides a competitive advantage

› Avoid permanent loss of capital

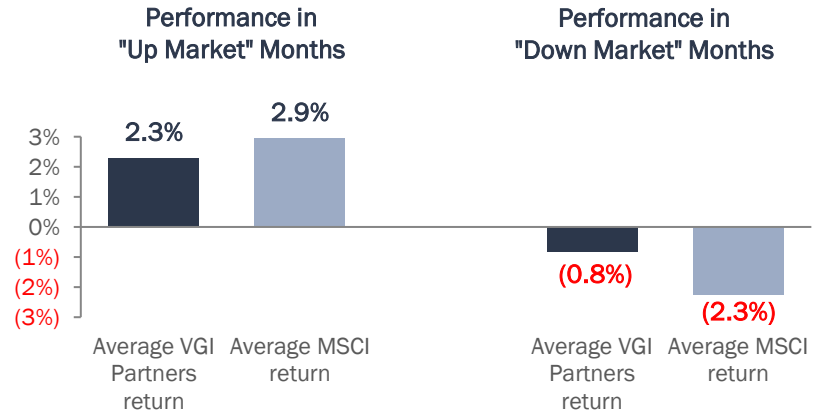
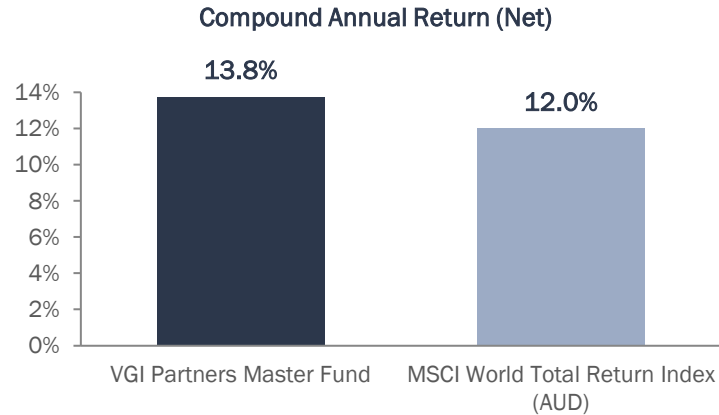
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› Winners are rare – deep research results in highly concentrated portfolios

› Size of FUM provides flexibility

› We are stewards of capital – total staff alignment with investors

## VGI Partners Master Fund: Capital Preservation Performance in Up/Down Months



## Portfolio Construction Process

### Identify unique businesses

Earnings growth is the driver of stock performance – we call businesses with consistent earnings growth **compounders**

We think there are three things which count

- i. **Secular growth** – as industries stagnate, competition takes over and compresses returns
- ii. **Moat** – high-growth, high-return businesses inevitably attract competition
- iii. **Management** – as an industry evolves, a high-quality, long-term focused, management team can help navigate these currents

### Analyse

- > Build detailed model using VGI Partners' proprietary template
- > Assess against checklist
- > Meet with management, customers, suppliers, competitors
- > Active and continuous **red teaming**, a culture of yes men is dangerous

### Build portfolio

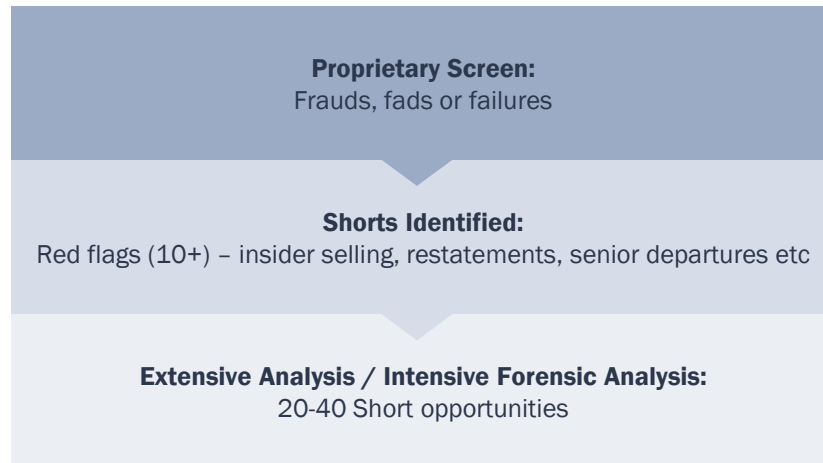
- > **Concentrated** long investments: Typically, top 5 holdings represent c.40-50% of the portfolio
- > **Select short** positions: Short positions provide **downside protection** while also generating a positive expected return
- > **Use of cash** to manage risk and provide optionality. Very **limited use of leverage**

## Portfolio Construction Process

### Long



### Short





**VGI Partners Global  
Investments Limited  
(ASX:VG1)**

## VG1 Portfolio Update

### As at 31 July 2021

Portfolio Value \$999m

#### Month End Exposures<sup>1</sup>

Long Equity Exposure	107%
Short Equity Exposure	(18%)
Net Equity Exposure	89%

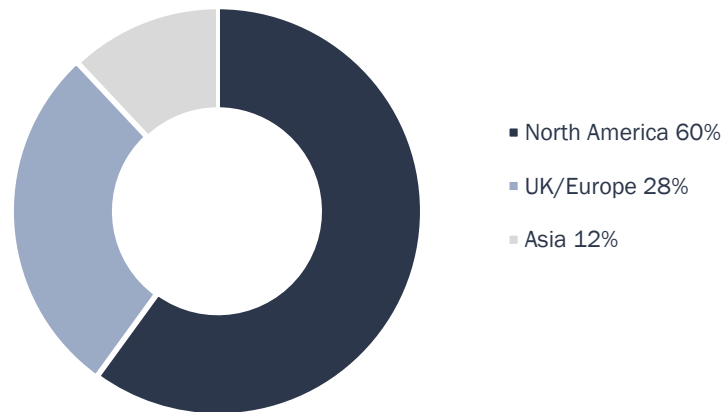
#### Net Currency Exposure

AUD	100%
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#### Investments

Number of Long Investments:	31
Number of Short Positions:	11
Top Ten Long Investments	71% of NAV

#### Long Portfolio by Location of Exchange Listing<sup>2</sup>



<sup>1</sup> As at 13 August 2021, VG1 had net equity exposure of 85% (long 103%, short 18%).

<sup>2</sup> Asia includes ASX-listed securities.

Source: VGI Partners, Citco Fund Services, Bloomberg.

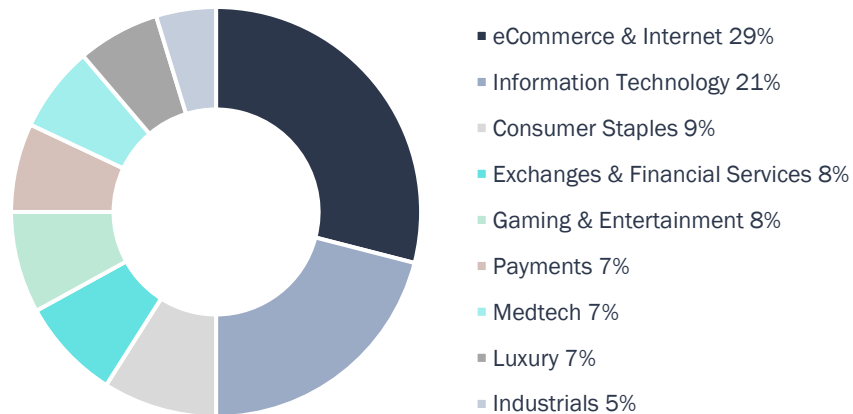
## VG1 Portfolio Update

### As at 31 July 2021

Portfolio Value \$999m

Top 10 Long Investments	Sector	% of Portfolio
Amazon.com Inc.	eCommerce & Internet	14%
Mastercard Inc.	Payments	8%
Cie Financière Richemont SA	Luxury	7%
CME Group Inc.	Exchanges & Fin Services	7%
Pinterest Inc.	eCommerce & Internet	7%
SAP SE	Information Technology	7%
Olympus Corporation	Medtech	6%
Qualtrics International Inc.	Information Technology	6%
Otis Worldwide Corporation	Industrials	5%
Active Position	Not Disclosed	5%
<b>Total</b>		<b>71%</b>

### Long Portfolio by Sector



## Pinterest

### Portfolio Holding Update

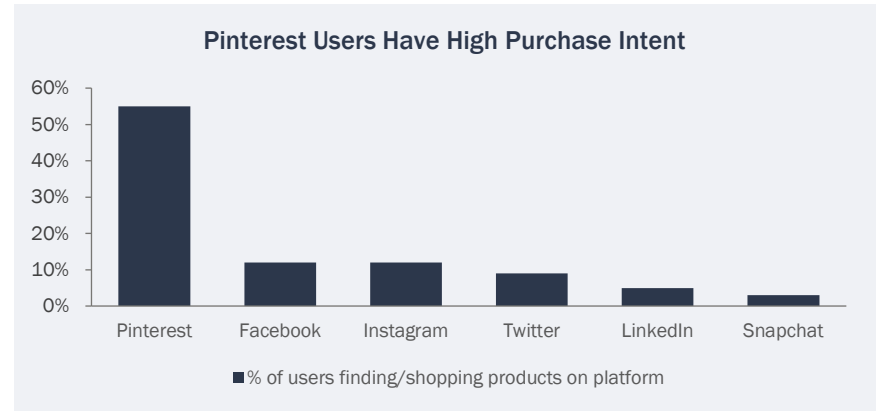
- › First purchased June 2020
- › Shifting of focus to monetisation
- › Still early in this transition
- › Recent result very positive for monetisation trends
- › Weakness driven by unwind of COVID usage boost
- › VGI revenue and earnings estimates increased following result
- › Opportunistically adding to position on weakness



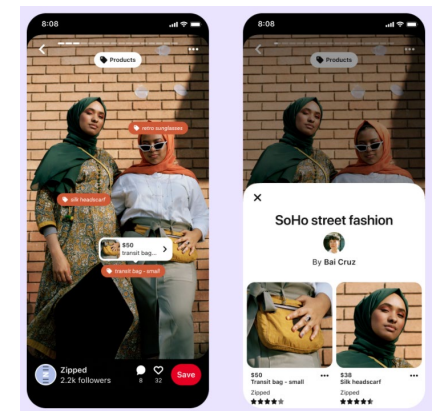
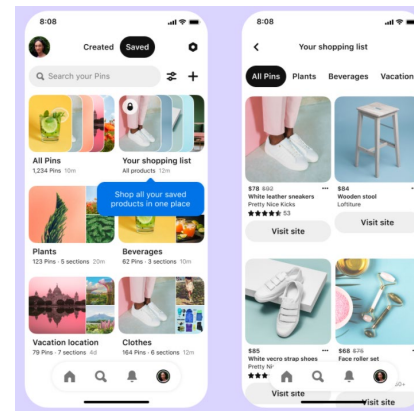
Source: Bloomberg.

## Pinterest Portfolio Holding Update

- > Highly **differentiated** platform
- > Moat has been **tested and proven**
- > Users have **intent** – very valuable for an advertiser
- > Users are **undecided** on final product
- > **Safe space** on internet with no violent, offensive or controversial content
  - > Important for advertisers
  - > Minimal regulatory risk
- > Optionality from **Shopping and Creator ecosystem**

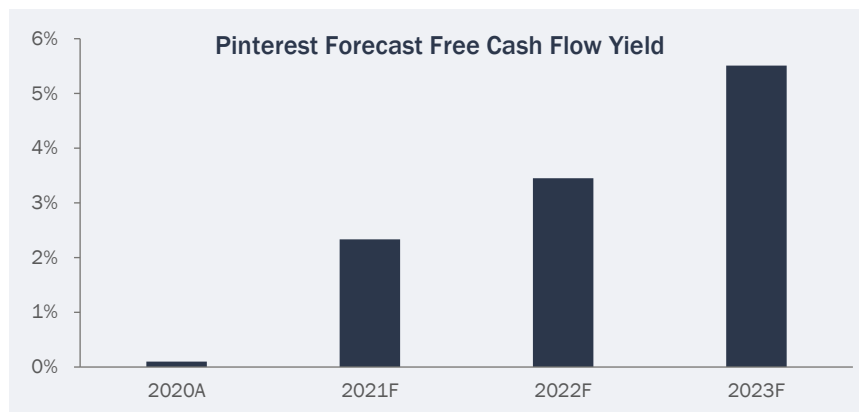
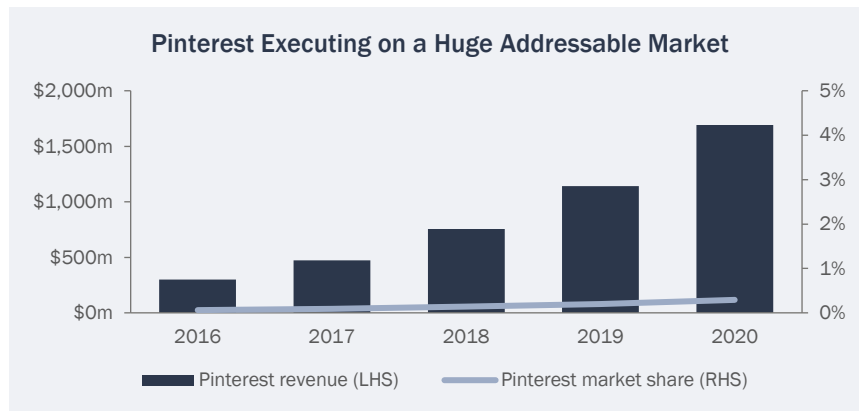


- > Product uploads grew 50% in 2Q
- > Creator content up 7x this year



## Pinterest Portfolio Holding Update

- › Revenue **growth driven by monetisation** – attracting advertisers to the unique platform
  - › Investment in salesforce and technology are driving this – track record of execution
  - › **<0.5% penetration of addressable market**
- › Huge upside from **international expansion**
  - › “Rinse and repeat” in new markets
- › Valuation based on **free cash flow generation**, NOT revenue multiples
- › **Upside optionality** from a fee-based revenue model for shopping



Source: Pinterest & VGI Partners forecasts.

**VGI Partners Asian  
Investments Limited  
(ASX:VG8)**

## VG8 Portfolio Update

### As at 31 July 2021

Portfolio Value \$585m

#### Month End Exposures<sup>1</sup>

Long Equity Exposure	99%
Short Equity Exposure	(8%)
Net Equity Exposure	91%

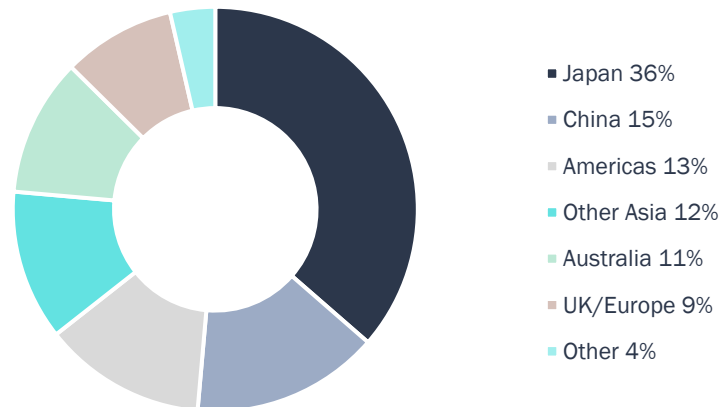
#### Net Currency Exposure

AUD	100%
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#### Investments

Number of Long Investments:	26
Number of Short Positions:	10
Top Ten Long Investments	67% of NAV

#### Long Portfolio by Regional Exposure – Proxied by Revenue<sup>2</sup>



<sup>1</sup> As at 13 August 2021, VG8 had net equity exposure of 90% (long 98%, short 8%).

<sup>2</sup> The revenue mix of each equity investment has been used as a proxy for regional exposure.  
Source: VGI Partners, Citco Fund Services, Bloomberg.



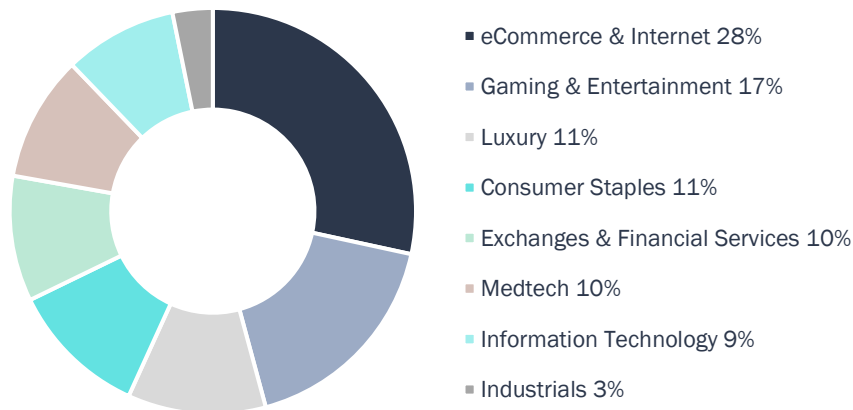
## VG8 Portfolio Update

### As at 31 July 2021

Portfolio Value \$585m

Top 10 Long Investments	Sector	% of Portfolio
Cie Financière Richemont SA	Luxury	11%
Olympus Corporation	Medtech	10%
Nintendo Co. Ltd	Gaming & Entertainment	8%
Yakult Honsha Co. Ltd	Consumer Staples	7%
Rakuten Inc.	eCommerce & Internet	7%
Alibaba Group Holding Ltd	eCommerce & Internet	7%
Japan Exchange Group Inc.	Exchanges & Fin Services	6%
Crown Resorts Ltd	Gaming & Entertainment	4%
Active Position	Not Disclosed	4%
Pernod Ricard SA	Consumer Staples	4%
<b>Total</b>		<b>67%</b>

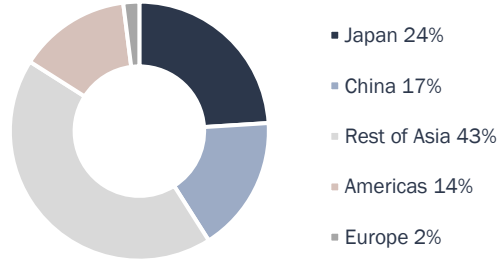
### Long Portfolio by Sector



## Yakult Honsha Portfolio Holding Update

- > Globally recognised brand, category leader in probiotic beverages
- > International business with 60% of earnings outside of Japan
- > Unique and sticky distribution channel through “Yakult Ladies”
- > Early stages of international expansion
- > Improving ROIC, strong balance sheet

### Geographic Breakdown of Yakult Bottles Sold



Source: VGI Partners analysis.



Yakult



- Yakult was recognized with an award the Brand of the Year Awards in the Global Dairy Products category for the third consecutive year (2017-2018, 2018-2019 and 2019-2020)
- Yakult was the only Japanese brand considered for a global award\*

**Major Award Winners\***























\*As of the end of Mar. 2019

Source: Yakult presentation, November 2019.

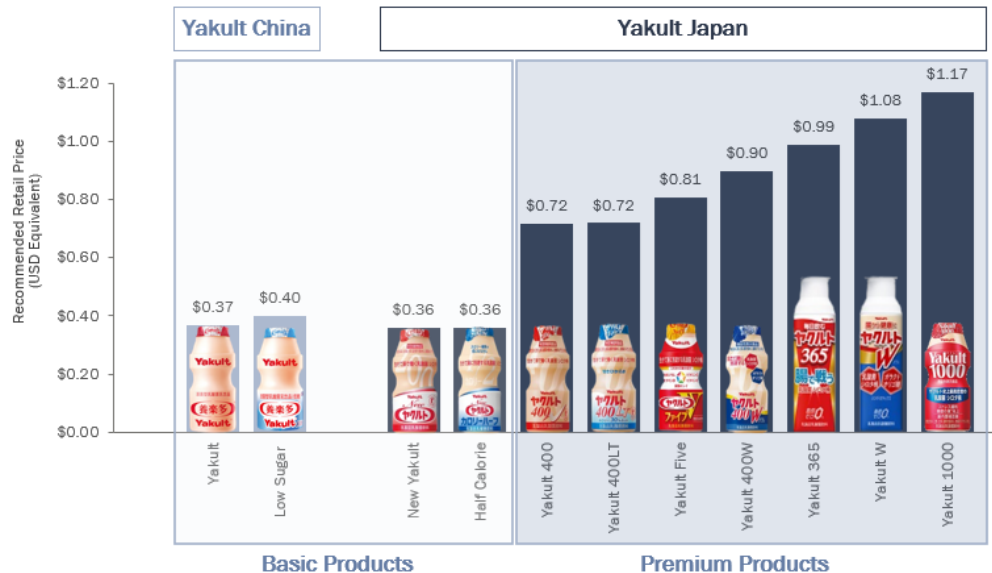
## Yakult Honsha Portfolio Holding Update

Yakult Penetration Rate	
Japan	7.5%
South Korea	6.0%
Philippines	3.0%
<b>Australia</b>	<b>1.0%</b>
Brazil	0.7%
US	0.1%



- › Significant opportunity to:
  - › Grow penetration internationally → growth acceleration
  - › Introduce premiumisation internationally → large margin uplift
- › VGI actively engaging with Yakult management behind the scenes to improve shareholder value
- › VGI proposals:
  - › Implementation of digital marketing strategy
  - › International premiumisation
  - › More shareholder-friendly capital allocation

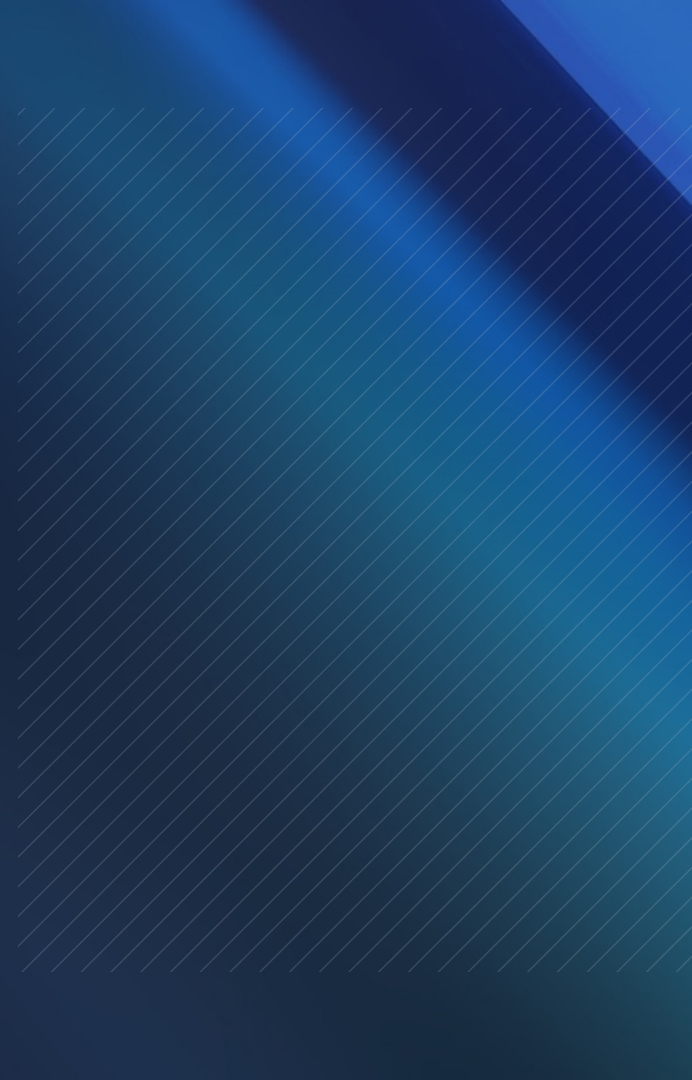
Source: VGI Partners analysis.



Source: VGI Partners analysis.

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# Shareholder Engagement



## **Shareholder Engagement for VG1 and VG8**

### **Please Elect Electronic Communications to Stay Informed**

- 
- › Quarterly portfolio briefings
  - › Monthly NTA commentary
  - › Investor Letter each January and July
  - › Annual national roadshow each October
  - › AGM in November

- 
- › Independent Research
    - › Zenith
    - › Independent Investment Research (IIR)

#### **Head of Investor Relations**

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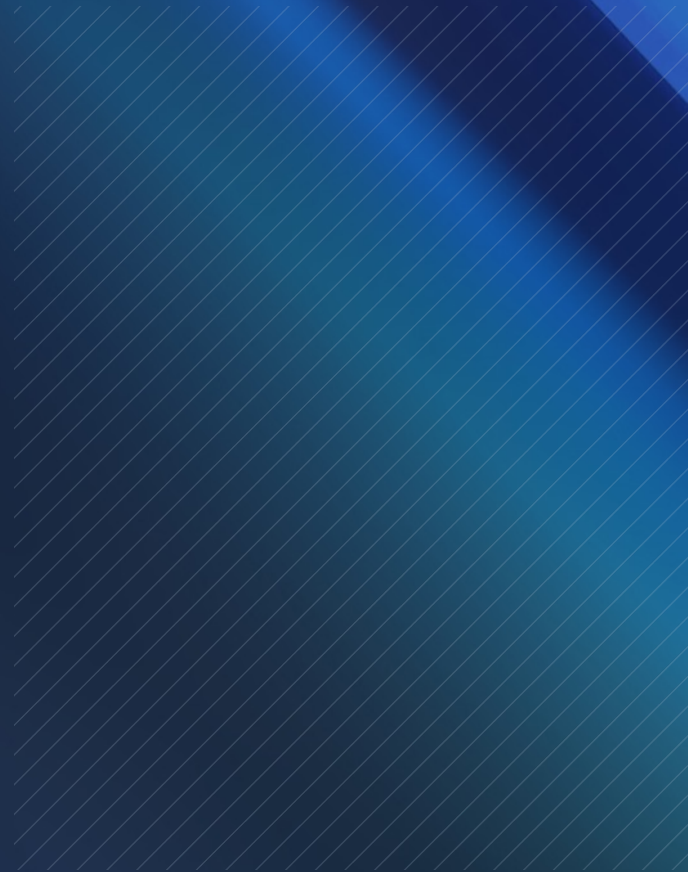
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# Questions



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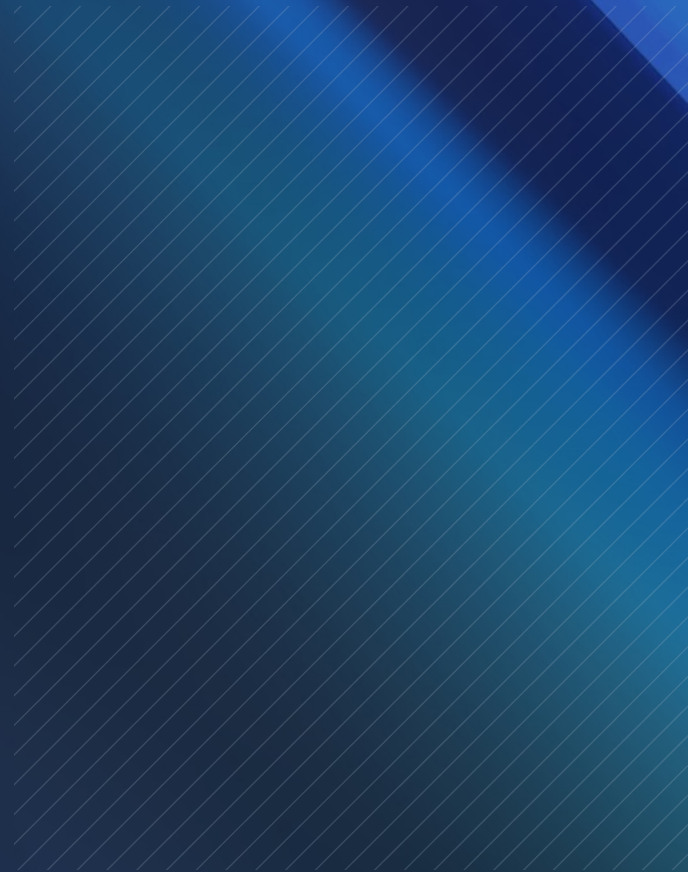
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SEC Registered



# Appendix





## A. VG1 Investment Guidelines

Exposure	
Number of Long Investments	Typically 10-25 (10-15 Core)
Concentration of Long Investments	Top five 40-50% of NAV on average
Average Size of Long Investments	Start at 1-3% and build to 4-10% of Portfolio's NAV
Single Security Long Investment Limit	15% at purchase; maximum of 20%
Number of Short Equity Positions	Typically 10-35
Average Size of Short Equity Positions	Start at 0.5% and build to 1-2% of Portfolio's NAV
Single Security Short Equity Position Limits	5% at purchase; maximum of 7.5%
Net Equity Exposure Limits	Limited to 100% of Portfolio's NAV; typically between 50-100%
Gross Exposure Limits	Maximum of 150% of Portfolio's NAV; typically between 80-120%

## B. VG8 Investment Guidelines

Exposure	
Number of Long Investments	Typically 15-30
Concentration of Long Investments	Top ten 40-50% of NAV on average
Average Size of Long Investments	Start at 1-2% and build to 4-8% of Portfolio's NAV
Single Security Long Investment Limit	8% at purchase; maximum of 20%
Number of Short Equity Positions	Typically 5-25
Average Size of Short Equity Positions	Start at 0.5% and build to 1-2% of Portfolio's NAV
Single Security Short Equity Position Limits	5% at purchase; maximum of 7.5%
Net Equity Exposure Limits	Limited to 100% of Portfolio's NAV; typically between 50-100%
Gross Exposure Limits	Maximum of 150% of Portfolio's NAV; typically between 70-120%

## C. VGI Partners Timeline



<sup>1</sup>As at 30 June 2021, per last published data to the ASX.

<sup>2</sup>Since inception to 30 June 2021.

Source: VGI Partners, Citco Fund Services.

## D. VGI Partners Master Fund

### Returns After All Applicable Fees

Year to 30 June	VGI Partners Master Fund	Index	Relative	Master Fund Net Exposure
2009 (6 months)	2.3%	(3.4%)	5.6%	15%
2010	8.3%	5.1%	3.2%	76%
2011	18.4%	3.2%	15.2%	88%
2012	5.4%	(0.6%)	5.9%	71%
2013	27.5%	33.1%	(5.6%)	77%
2014	9.4%	20.1%	(10.7%)	86%
2015	38.1%	24.0%	14.1%	76%
2016	13.0%	0.6%	12.4%	75%
2017	5.9%	14.6%	(8.8%)	58%
2018	20.2%	15.4%	4.8%	54%
2019	13.1%	12.1%	1.0%	62%
2020	(7.2%)	4.6%	(11.9%)	69%
<b>2021</b>	<b>24.7%</b>	<b>27.8%</b>	<b>(3.1%)</b>	<b>76%</b>
Total return since inception	400.6%	312.0%	88.6%	70%
<b>Compound annual return</b>	<b>13.8%</b>	<b>12.0%</b>	<b>1.8%</b>	

Source: VGI Partners and Citco Fund Services. Performance is shown after all applicable management and performance fees charged. The VGI Partners Master Fund inception date was 20 January 2009 and the Fund is AUD denominated. Past performance is not indicative of future performance. Index = MSCI World Total Return Index (AUD). The MSCI Index is 100% net invested at all times.

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