

**VGI
PARTNERS**

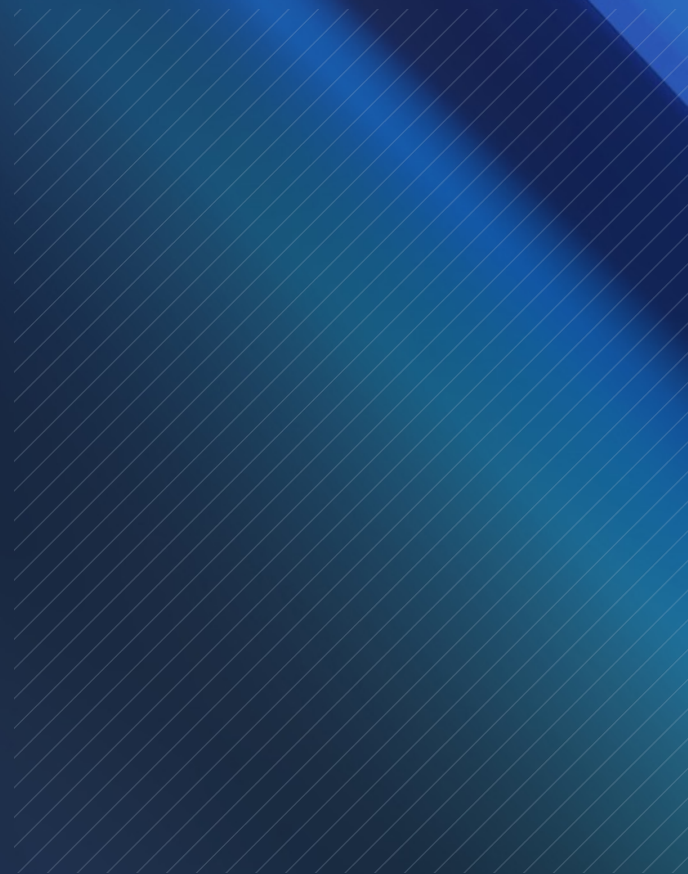
**VG1 & VG8: Global & Asian
Listed Investment Company Updates**

16 November 2021

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VGI Partners

The Manager



Concentrated on Compounding Wealth

Our Investment Philosophy

› 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

› Deep research results in highly concentrated portfolios

› Size of FUM allows for broad opportunity set

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

Differentiated Portfolios of High-Quality Companies with Strong Growth Potential

Many of our holdings are not well known to the Australian market. We also invest in familiar global brands that Australian investors are unlikely to hold in other strategies.

VGI Partners Global Investments Limited

ASX: VG1



A global share portfolio concentrated on finding high-quality companies with long growth runways

VGI Partners Asian Investments Limited

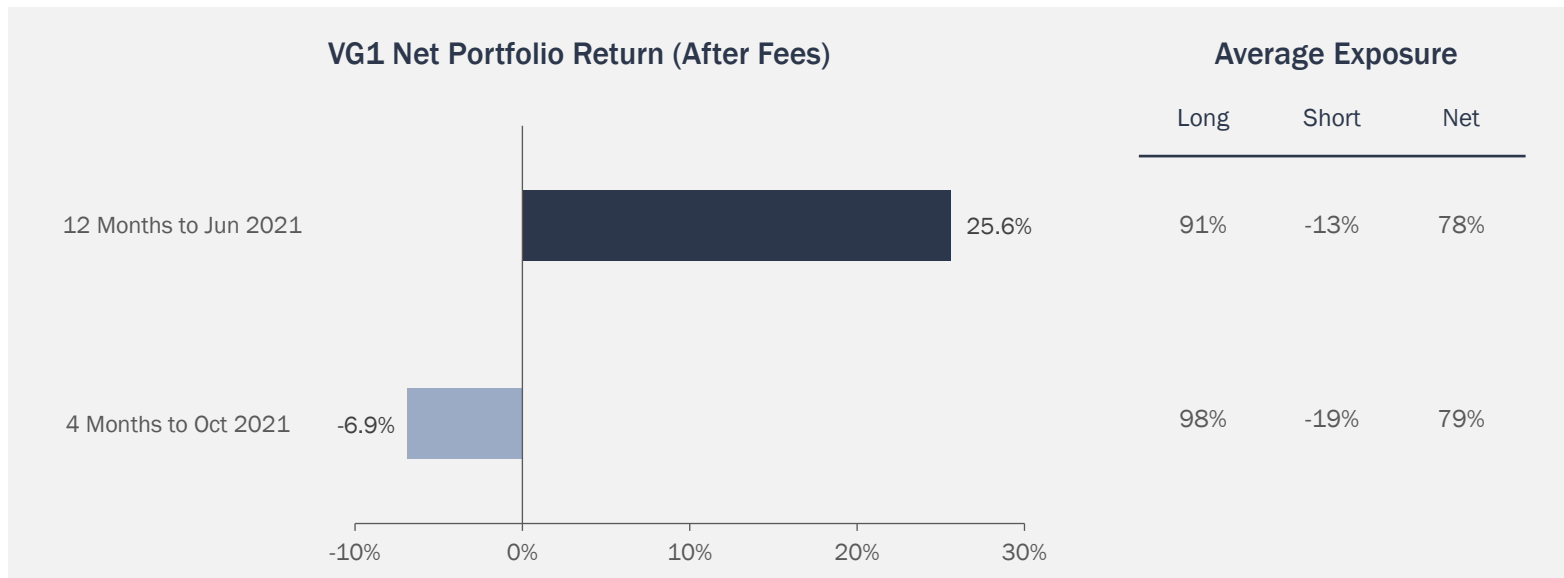
ASX: VG8



A global share portfolio concentrated on the world's growth engine - Asia

VGI Partners Global Investments Limited (ASX: VG1)

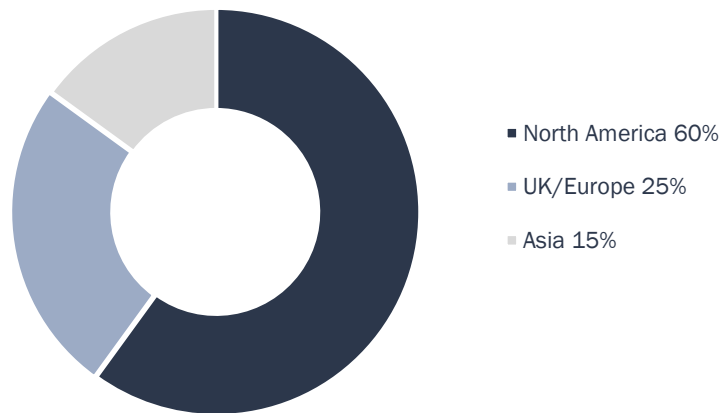
VG1 Net Portfolio Returns



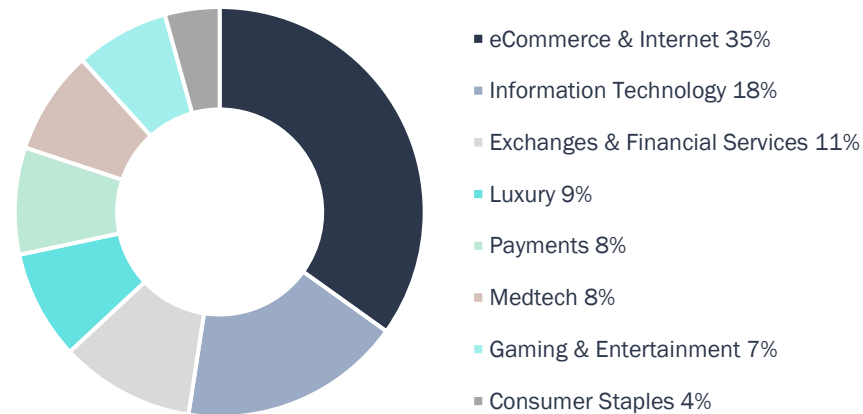
Global Portfolio Update

As at 31 October 2021

Long Portfolio by Location of Exchange Listing¹



Long Portfolio by Sector



¹ Asia includes ASX-listed securities.

Source: VGI Partners, Bloomberg. Sectors have been internally defined.

Global Portfolio as at 31 October 2021

Top 10 Long Investments	Sector	% of Portfolio	Overview
 amazon	eCommerce & Internet	15%	Global e-commerce, dominant cloud computing; reinvestment enhancing moat
 CME Group	Exchanges & Fin Services	8%	World's largest derivatives exchange; monopoly in interest rate derivatives; beneficiary of a pick-up in inflation
 RICHEMONT	Luxury	7%	Cartier / Van Cleef jewellery business; misunderstood online business
 mastercard	Payments	7%	Global duopoly; beneficiary of ongoing shift to digital payments; fintech enabler
 SAP	Information Technology	7%	World's largest enterprise application software provider; beneficiary of shift to cloud
 OLYMPUS	Medtech	7%	Global leader in gastrointestinal endoscopes; long-term secular tailwinds; governance transformation
 Pinterest	eCommerce & Internet	6%	Leading digital destination; accelerating monetization; high user purchase intent
 qualtrics ^{XM}	Information Technology	6%	Experience management software; sustained growth opportunity
 GROUPE FDJ	Gaming & Entertainment	4%	French monopoly lottery operator; former govt owned; early in the shift to online betting
 Yakult	Consumer Staples	3%	Global brand; global distribution; self-help story
Total		70%	

CME Group Portfolio Holding Update

- › Derivatives exchange with an **effective monopoly** in the trading of US interest rate derivatives
- › **Dominant** position in the trading of global commodities, foreign exchange, equity index and energy derivatives
- › We are **optimistic** that **record levels of issuance** by the US Treasury will **provide a tailwind** for trading interest rate derivatives
- › We believe the business model is **extremely well positioned** for any pick-up in **interest rate volatility**, which would lead to acceleration of earnings growth well above market expectations

Size of the US Treasury Market¹ (2007-2030E)



¹ Debt held by the public.

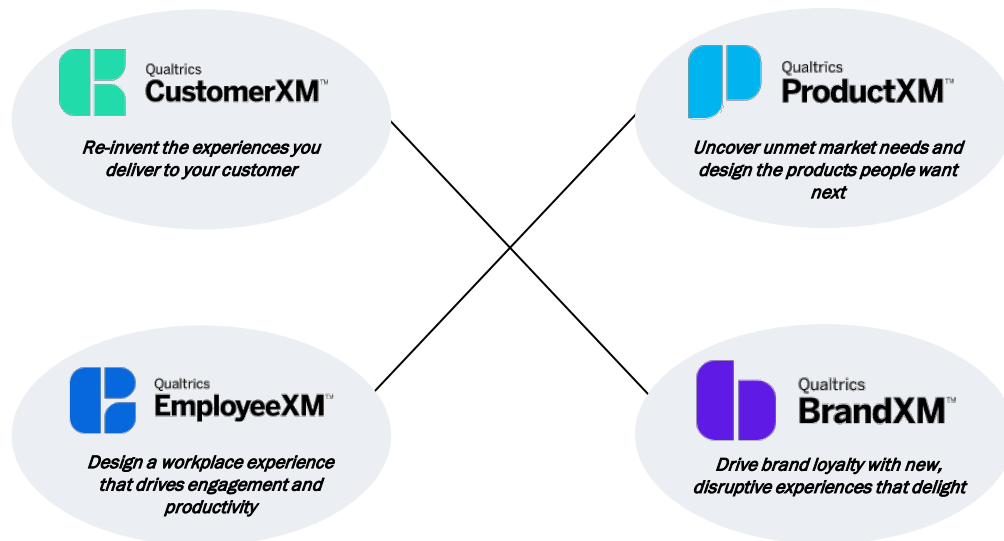
Source: Congressional Budget Office (CBO), Redburn.

Qualtrics Portfolio Holding Update

- › **Global leader** in experience management, a new software category
- › Helps clients **collect, analyse, interpret and act** on the vast amount of data they are receiving – this all happens in **real time**
- › Primary use cases today are customer data and employee data but continue to expand uses
- › **Experience management will be a critical** area for large enterprises in the future, similar to having CRM or HR software
- › Spin-out from SAP, **founder-led**
- › Acceleration of free cash flow generation which is exceeding expectations

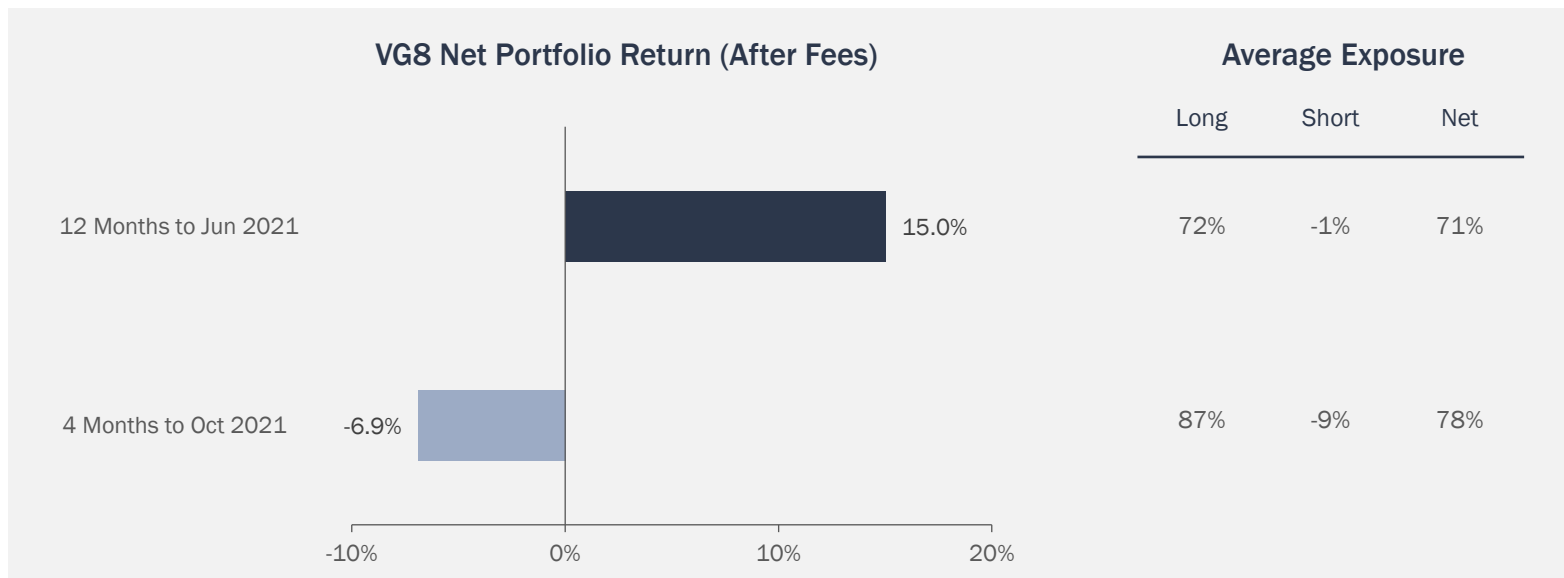
qualtrics^{XM}

Design + improve the four core experiences



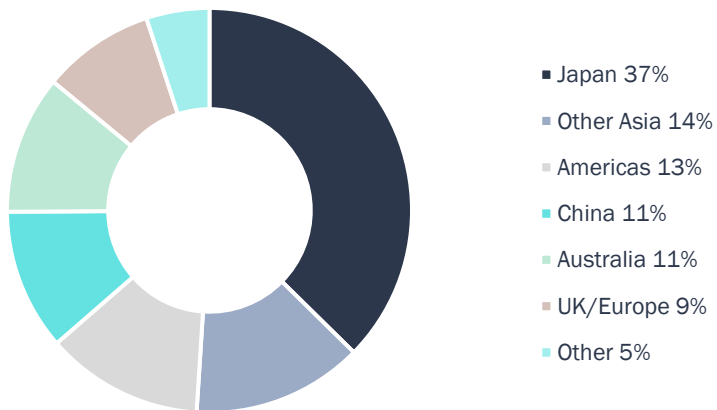
**VGI Partners Asian
Investments Limited
(ASX: VG8)**

VG8 Net Portfolio Returns

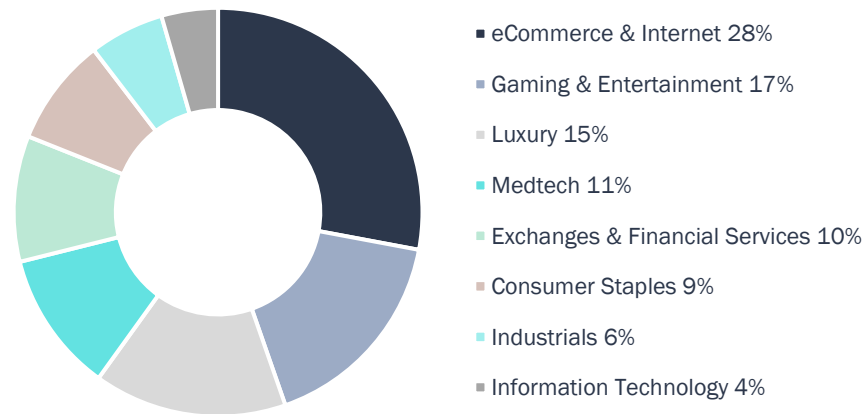


Asian Portfolio Update As at 31 October 2021

Long Portfolio by Regional Exposure – Proxied by Revenue¹



Long Portfolio by Sector



¹ The revenue mix of each equity investment has been used as a proxy for regional exposure.
Source: VGI Partners, Bloomberg. Sectors have been internally defined.

Asian Portfolio Update as at 31 October 2021

Top 10 Long Investments	Sector	% of Portfolio	Overview
	Luxury	11%	Cartier / Van Cleef jewellery business; misunderstood online business
	Medtech	8%	Global leader in gastrointestinal endoscopes; long-term secular tailwinds; governance transformation
	eCommerce & Internet	8%	Japan's largest e-commerce platform; synergistic ecosystem of related Internet and fintech businesses; significant opportunity to harness large subscriber base
	Exchanges & Fin Services	6%	Monopoly stock and derivative exchange operator; product expansion opportunity
	Consumer Staples	6%	Global brand; global distribution; self-help story
	eCommerce & Internet	6%	Dominant e-commerce platform in China; leader in global trends; strong expansion plans
	Gaming & Entertainment	5%	Gaming and entertainment group; strategic monopoly assets; temporary regulatory scrutiny provides opportunity
	Gaming & Entertainment	5%	Global interactive entertainment pioneer; shift to recurring digitally-derived revenue; monetisation of world-class intellectual property
	Industrials	4%	Diversified technology company with strength in electric vehicle batteries; transitioning towards a leaner cost structure and software revenue streams
	eCommerce & Internet	3%	Leading C2C marketplace in Japan; reinvestment to drive long-term growth
Total		62%	

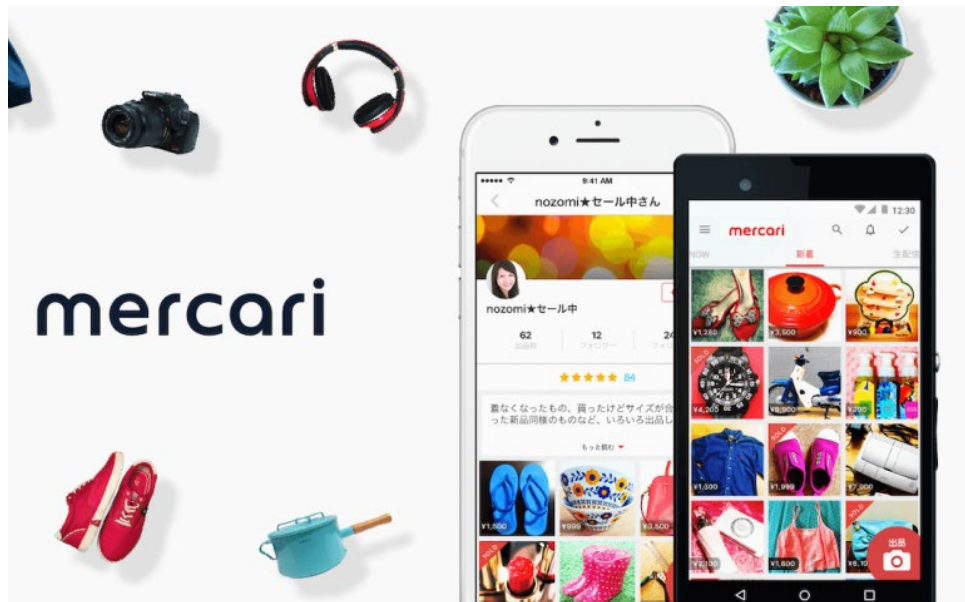
China Update

Regulatory Impacts

- › In late 2020, we sold our holdings in Alibaba Group and Tencent Holdings. We wrote in our January 2021 newsletter that “despite being great businesses, we felt (Alibaba and Tencent) were not being priced for the increased regulatory risk”. We retained a small position in Ping An Healthcare & Technology.
- › During 2021, following the announcement of anti-monopoly fines and a decline in their share prices, we repurchased Alibaba Group and Tencent Holdings.
- › We also added Tencent Music Entertainment Group (TME) but later exited this position, as well as Ping An Healthcare & Technology, after subsequent regulation materially changed the environment in which they operate. Losses in these positions have contributed to the negative return in VG8 since July.
- › The fund retains its holdings in Alibaba Group and Tencent Holdings. It is our view that these are high-quality businesses with significant competitive advantages due to their scale network effects and diversified earning streams.
- › We will continue to watch the evolving situation in China closely for both risks and further investment opportunities.

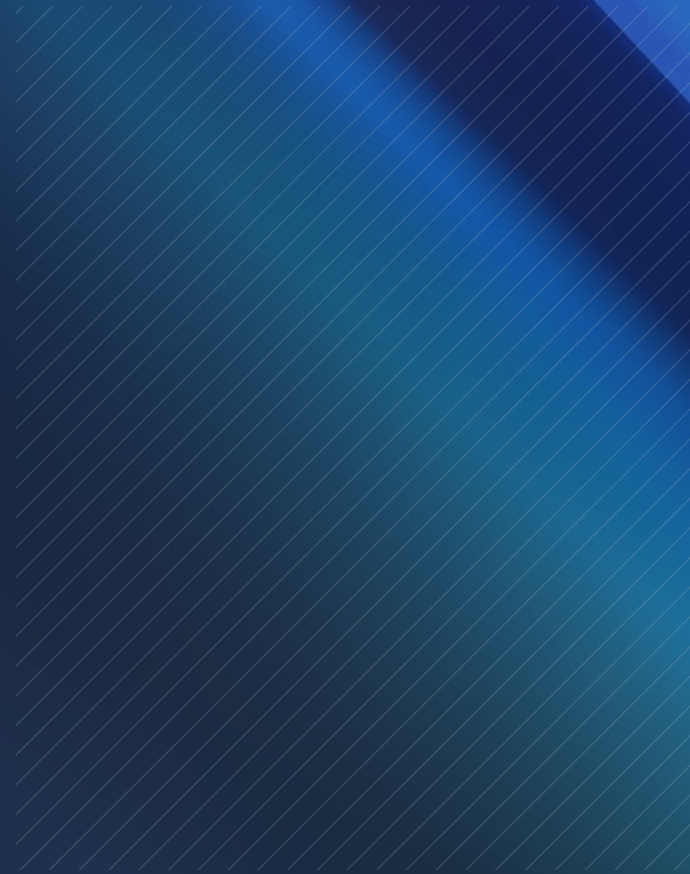
Mercari Portfolio Holding Update

- Mercari is Japan's **leading marketplace to buy and sell second-hand products**
- 20m monthly active users (MAUs) in Japan; 5m MAUs in the US
- Growing market share has continued to fuel **the depth of the liquidity pool**
- Mercari continues to **expand its addressable market** domestically by adding new categories and targeting new demographics
- Carved out a strong niche position in the US as a leading second-hand goods marketplace
- Current valuation is underpinned by its **highly cashflow-generative domestic marketplace** – and its **pipeline of growth opportunities** such as Mercari US and Mercari Shop (B2C) represent further valuation upside



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Short Thematics



Short Thematic – Durable Consumer Goods Portfolio Holding Update

- › Goods consumption surged during COVID-19 as expenditure shifted away from services such as restaurants and travel. This effect was amplified in the US by stimulus cheque payments to households.
- › Some durable goods companies now trade on extended valuations that imply earnings will continue to expand at these recently elevated rates - particularly within sporting, recreational and do-it-yourself goods.
- › We expect some goods spend will shift back towards services.
- › **A number of companies face weaker sales trends and pricing pressure as built-up inventory levels are discounted to clear.**

US Durable Goods Personal Consumption Expenditure
(US\$bn, Seasonally Adjusted Annual Rate)

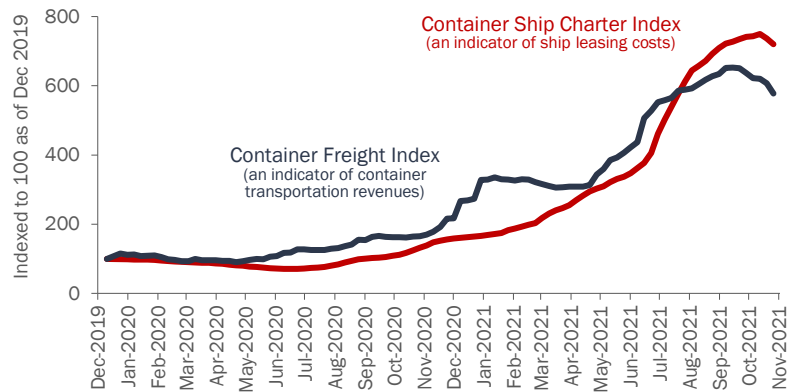


Source: U.S. Bureau of Economic Analysis. Trend has been extrapolated from 2015 to 2019 actual data.

Short Thematic – Container Shipping Lines Portfolio Holding Update

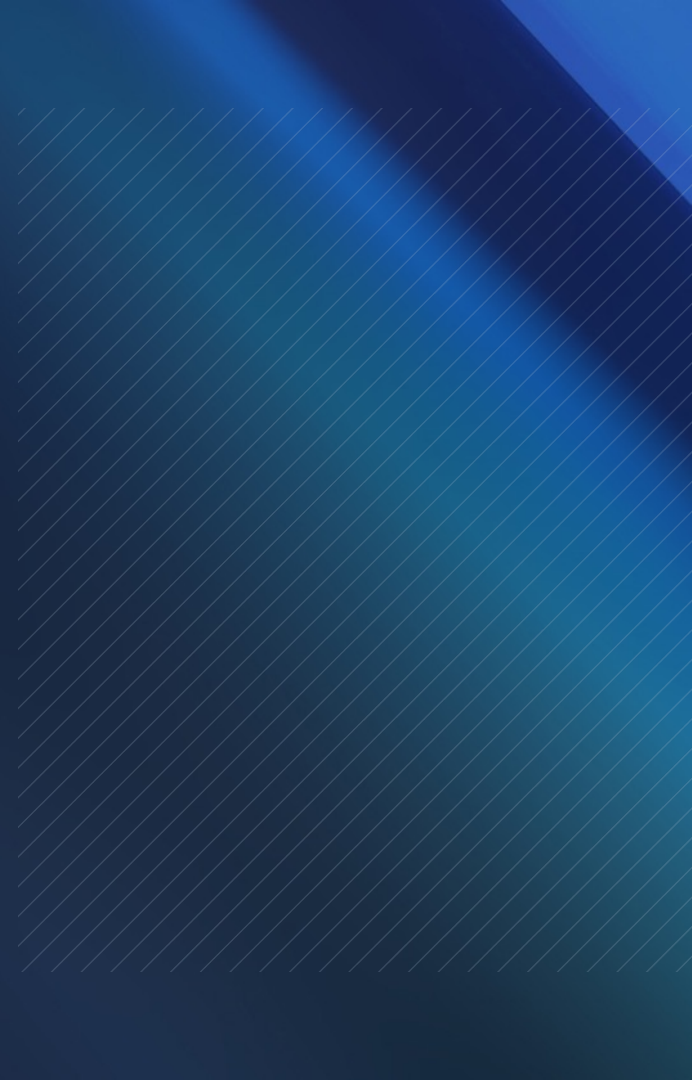
- > **Container Shipping Lines** have also risen to extended valuations as the inflow of goods into the US overwhelmed supply chains and led to a rise in freight rates (an indicator of revenue for container shipping liners).
- > Freight rates have recently fallen from peak levels. We anticipate this will continue, as goods expenditure normalises and unprecedented efforts to improve supply chain capacity come into effect.
- > **As revenues decline for the shipping lines, their ship leasing costs will remain elevated, as average contract periods have recently doubled to 2 years at rates that are 7x pre-COVID levels.**

Ship Charter Costs Have Grown More than Freight Prices since 2019



Source: WCI Composite Container Freight Benchmark Rate per 40 foot box, Container Ship Time Charter Assessment Index (both via Bloomberg).

Shareholder Initiatives



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 FY21 dividend of 5.5c fully franked; VG8 final FY21 dividend of 5.5c fully franked

2. Enhanced Adviser Relations and Shareholder Communication

- › Hire of CEO and Sydney-based Head of Distribution to accelerate adviser engagement
- › Monthly Net Tangible Asset (NTA) statement includes Top 10 Long positions (70% of VG1 NTA, 62% of VG8 NTA) 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 6.5% of VG1 capital has been bought back
- › VG1 buy-back extended in August 2021 for a further 12 months – currently paused

4. Review

- › Currently ongoing – completion targeted for first quarter of calendar 2022

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)

Investment Director – Distribution (for Financial Advisers)

Matthew Newham

Mobile: +61 481 187 178

Email: matthew.newham@vgipartners.com

Investor Relations Manager – Distribution (Qld/WA/SA Advisers)

Rachel Elfverson

Mobile: +61 409 464 728

Email: rachel.elfverson@vgipartners.com

Head of Investor Relations

Ingrid Groer, CFA

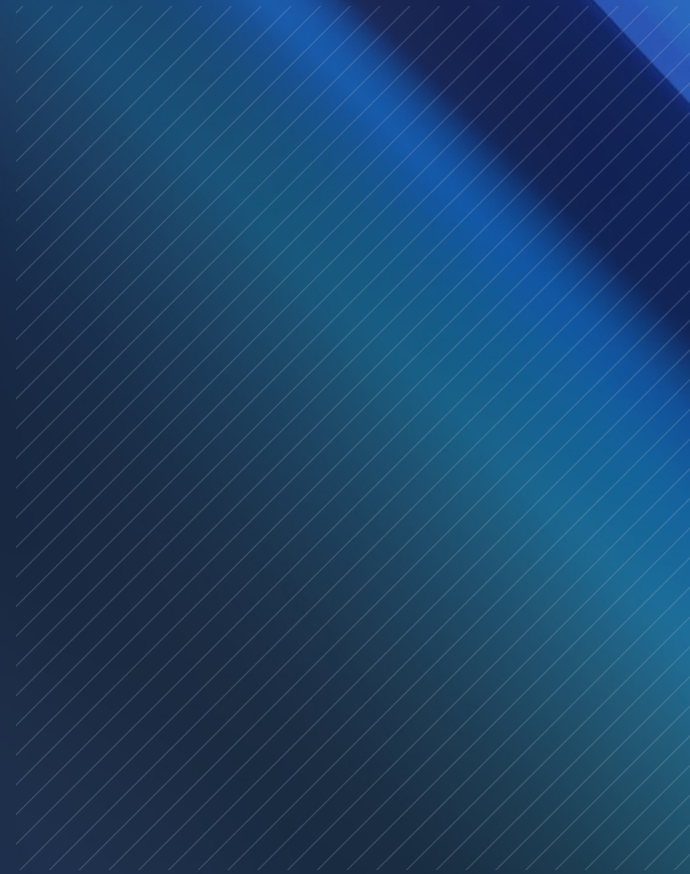
Phone: 1800 571 917 (inside Australia)

+61 2 9237 8923 (outside Australia)

Email: investor.relations@vgipartners.com

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Questions



VGI Partners Office Locations

Sydney

VGI Partners Limited
ABN 33 129 188 450
39 Phillip Street
Sydney NSW 2000
Australia
www.vgipartners.com

New York

VGI Partners, Inc.
600 Madison Avenue
Suite 2101
New York, NY 10022
USA

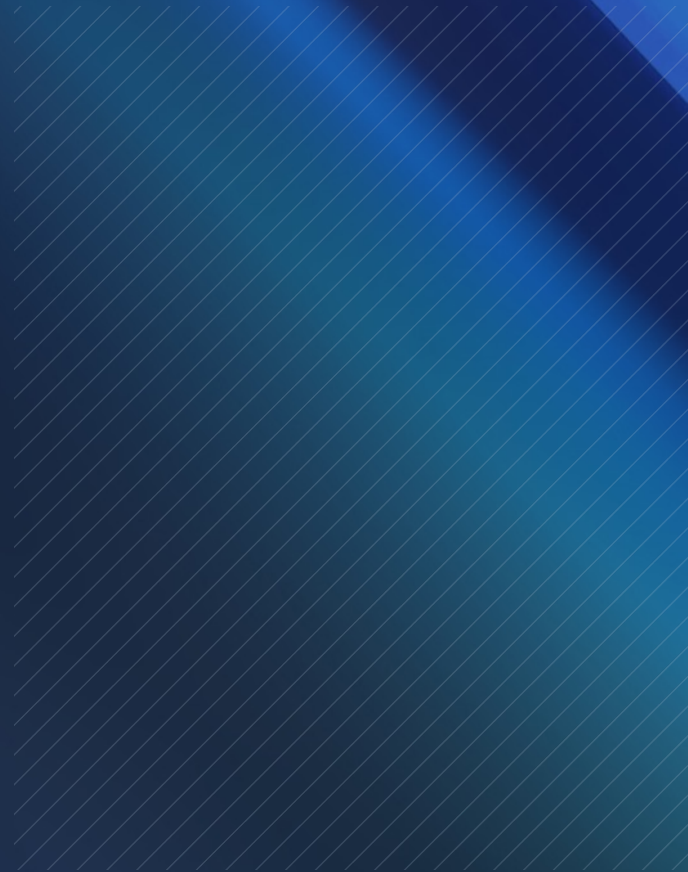
Tokyo

VGI Partners Limited
Representative Office
Level 8 Tri-Seven Roppongi
7-7-7 Roppongi Minato-ku
Tokyo 106-0032
Japan

AFSL No. 321789
SEC Registered



Appendix



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**

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%

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%

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