

29 April 2022

ASX Market Announcements

ASX Limited

Exchange Centre

20 Bridge Street

Sydney NSW 2000

BY ELECTRONIC LODGEMENT

### **Portfolio Briefing Presentation**

Robert Luciano, Executive Chairman and Portfolio Manager of VGI Partners Limited, will host a webinar and call at **10:30am (AEST) today, Friday, 29 April 2022**. Attached is a copy of the presentation to be given.

The focus of the briefing will be the group's two listed investment companies: VGI Partners Global Investments Limited (ASX:VG1) and VGI Partners Asian Investments Limited (ASX:VG8). During the session, Robert and senior members of the VGI Partners Investment Team will share their insights on key portfolio positions and strategies.

**If you are interested in participating, please pre-register for the webinar or the call to avoid delays.**

If you pre-register and do not receive a confirmation email, please check your spam or junk mail folder.

**To pre-register for the webinar:** <https://services.choruscall.com.au/webcast/VG1-VG8-rkCAEWFY.html>

Please input your name, email and company to register. We also encourage attendees to submit questions in advance to allow the team to respond to as many queries as time permits. Please pre-submit any questions for the team, or queries about the briefing, to [events@vgipartners.com](mailto:events@vgipartners.com). Questions are also able to be submitted online during the event using the "Ask a Question" box.

**A recording will be available on the VG1 website** at [www.vgipartners.com/lics/vg1](http://www.vgipartners.com/lics/vg1) after the event.

**To pre-register for the listen-only conference call:**

<https://s1.c-conf.com/diamondpass/10021623-gmsl21.html>

**If you do not pre-register, please use the listen-only dial-in numbers below (conference ID 10021623):**

Australia	1800 809 971 or 1800 558 698 (Toll Free) +61 2 9007 3187 (Local)	Hong Kong	800 966 806 (Toll Free)
		Japan	005 3116 1281 (Toll Free)
New Zealand	0800 453 055 (Toll Free)	China	4001 200 659 (Toll Free)
US/Canada	1 855 881 1339 (Toll Free)	India	0008 0010 08443 (Toll Free)
UK	0800 051 8245 (Toll Free)	Malaysia	1800 816 294 (Toll Free)
Singapore	800 101 2785 (Toll Free)	Other	+61 7 3145 4010 (Metered)

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Global Investments

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VGI  
PARTNERS

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

29 April 2022

## Recent VG1 and VG8 Shareholder Developments

### 1. Proposed Merger of VGI Partners Limited (ASX:VGI) and Regal Funds Management Pty Ltd (“Regal”)

- › Binding terms of merger announced on 30 March 2022 <sup>1</sup>; Explanatory Memorandum released 27 April 2022
- › VGI shareholder vote at AGM on 27 May 2022
- › Merger completion targeted for 1H22
- › Benefits for VG1 and VG8 shareholders
  - › Meaningfully reduce non-investment related activities for key VGI investment staff to enable greater focus on portfolio management
  - › Leverage Regal’s sector-specialist skills and Asian experience and expertise
  - › Access to Regal’s proven ability in successfully managing listed investment vehicles

### 2. Capital Management – On-Market Share Buy-backs

- › VG1 expected to resume in early May 2022 (subject to board approval)
- › VG8 expected to commence in early May 2022 (subject to board approval)

### 3. VG1 and VG8 Dividend Policy Target of Fully Franked Dividend Yield of 4% p.a.

- › VG1 interim FY22 dividend of 4.5c fully franked
- › VG8 interim FY22 dividend of 5.0c fully franked
- › both paid on 19 April 2022

1. A replay of the briefing on the proposed merger between VGI and Regal is available at <https://services.choruscall.com/mediaframe/webcast.html?webcastid=2rMfLaJh>.

VGI  
PARTNERS

# VGI Partners

The Manager

## Concentrated on Compounding Wealth

### Our Investment Philosophy

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

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› A long-term investment horizon provides a competitive advantage

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› Avoid permanent loss of capital

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› Deep research results in highly concentrated portfolios

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› Size of FUM allows for broad opportunity set

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› 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 to 31 March 2022

Return Period	Portfolio (Net Return)
3 Months	(7.9%)
6 Months	(9.9%)
1 Year	(11.8%)
Since Inception (p.a.)	3.4%

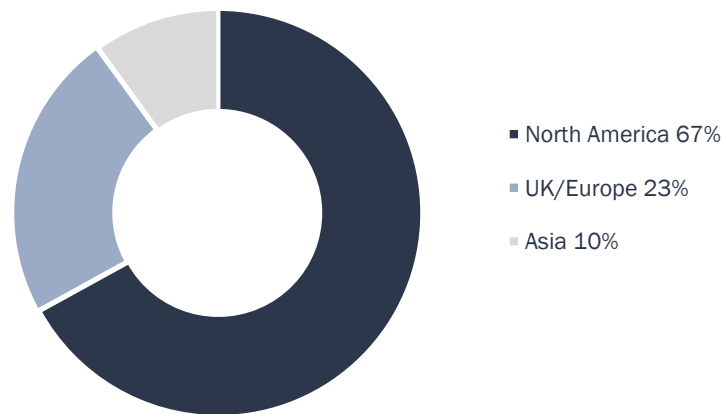
Source: VGI Partners, Citco Fund Services.

31 March 2022 Month End Exposures	
Long Equity Exposure	92%
Short Equity Exposure	(41%)
Net Equity Exposure	51%

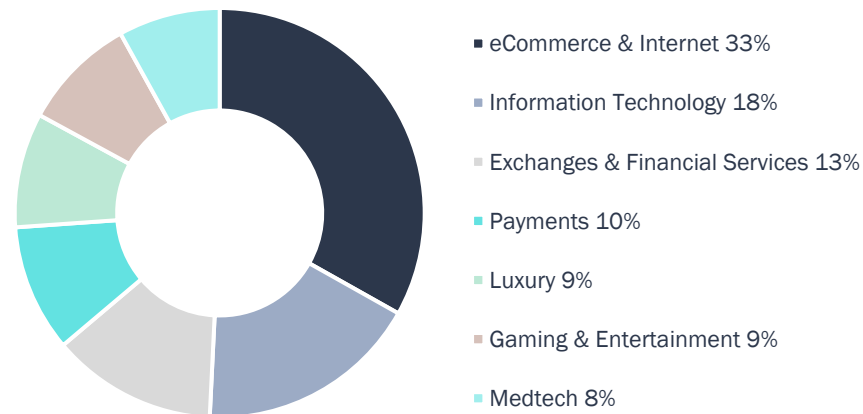
## Global Portfolio Update

As at 31 March 2022

Long Portfolio by Location of Exchange Listing<sup>1</sup>













Long Portfolio by Sector



<sup>1</sup> Asia includes ASX-listed securities.










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

## Global Portfolio as at 31 March 2022

Top 10 Long Investments	Sector	% of Portfolio	Overview
 <b>amazon</b>	eCommerce & Internet	16%	Global e-commerce, dominant cloud computing; reinvestment enhancing moat
 <b>CME Group</b>	Exchanges & Fin Services	11%	World's largest derivatives exchange; monopoly in interest rate derivatives; beneficiary of a pick-up in inflation
 <b>mastercard</b>	Payments	9%	Global duopoly; beneficiary of ongoing shift to digital payments; fintech enabler
 <b>RICHEMONT</b>	Luxury	8%	Cartier / Van Cleef jewellery business; misunderstood online business
 <b>OLYMPUS</b>	Medtech	7%	Global leader in gastrointestinal endoscopes; long-term secular tailwinds; governance transformation
 <b>SAP</b>	Information Technology	6%	World's largest enterprise application software provider; beneficiary of shift to cloud
 <b>qualtrics</b> <sup>XM</sup>	Information Technology	5%	Experience management software; sustained growth opportunity
 <b>Pinterest</b>	eCommerce & Internet	5%	Leading digital destination; accelerating monetization; high user purchase intent
 <b>GROUPE FDJ</b>	Gaming & Entertainment	4%	French monopoly lottery operator; former govt owned; early in the shift to online betting
 <b>twitter</b>	eCommerce & Internet	3%	Global platform for public self-expression and real-time conversation
<b>Total</b>		<b>74%</b>	

## Recent Notable Portfolio Changes Amongst Top 10 Holdings

- › Increased position size: **CME, Pinterest, Qualtrics, FDJ**
- › Exited position: **Yakult**
- › New additions: **Twitter** (entered top 10 due to performance; position initiated in 2021)










Top 10 Long Investments	% of Portfolio	Change in Position Size
 <b>amazon</b>	16%	—
 <b>CME Group</b>	11%	↑
 <b>mastercard</b>	9%	—
<b>RICHEMONT</b>	8%	—
 <b>OLYMPUS</b>	7%	—
 <b>SAP</b>	6%	—
 <b>qualtrics</b> . <sup>XM</sup>	5%	↑
 <b>Pinterest</b>	5%	↑
 <b>GROUPE FDJ</b>	4%	↑
 <b>twitter</b>	3%	NEW
<b>Total</b>	<b>74%</b>	

Source: VGI Partners.

Note: The table above only displays notable portfolio changes.

## Pricing Power & Ad Valorem Pricing Models

- › Inflationary environment backdrop → rising input costs → **critical to own businesses with pricing power and inelastic demand or an ad valorem pricing model**
- › These are features of all the businesses we own

Top 10 Long Investments	Pricing Power?	Ad Valorem Pricing Model?
 <b>amazon</b>	Yes, increasing prices on a range of services (see next slide)	Yes, take-rate based on overall e-commerce transaction value over the marketplace
 <b>CME Group</b>	Yes, increasing per contract fees and market data fees	—
 <b>mastercard</b>	Yes, increasing prices on interchange fees	Yes, take-rate based on gross payment value over the network
<b>RICHEMONT</b>	Yes, increasing prices across a range of products (see next slide)	—
 <b>OLYMPUS</b>	Yes, increasing prices on new products	—
 <b>SAP</b>	Yes, historical record of increasing prices on ERP contracts	—
 <b>qualtrics</b> <sup>XM</sup>	Yes, contracts have price escalations built in	—
 <b>Pinterest</b>	—	Yes, revenue based on value of advertising through the platform
 <b>GROUPE FDJ</b>	Yes, historical record of increasing lottery ticket prices	Yes, revenues based on total turnover wagered
 <b>twitter</b>	—	Yes, revenue model based on value of advertising through the platform

Source: VGI Partners.

## Pricing Power Examples

- › Many companies in our portfolio are flexing their pricing power to preserve (and even grow) operating margins
- › Two examples: Richemont and Amazon

### Case Study 1: Richemont

- 1) Increasing Cartier jewellery prices
- 2) Increasing Van Cleef & Arpels jewellery prices
- 3) Increasing prices across watch portfolio

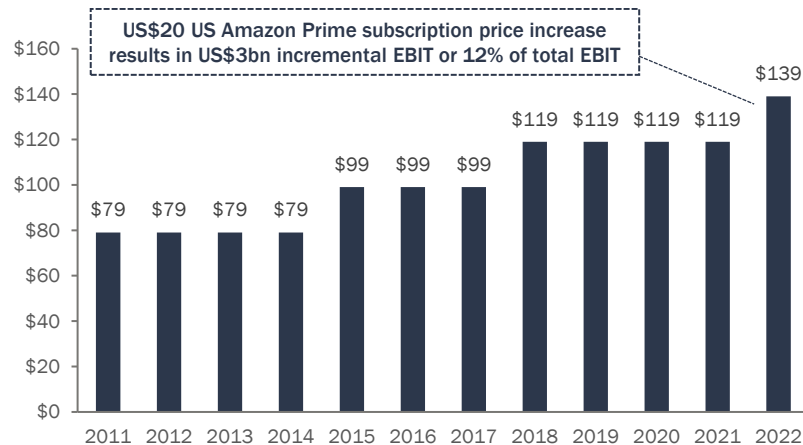


### Case Study 2: Amazon

- 1) Increasing Amazon Prime prices
- 2) Increasing Amazon Music plan prices
- 3) Increasing Fulfilment by Amazon prices
- 4) Introducing 5% US fuel surcharge
- 5) Introducing grocery delivery fee at Whole Foods



### Amazon Prime US Subscription Annual Price (US\$)



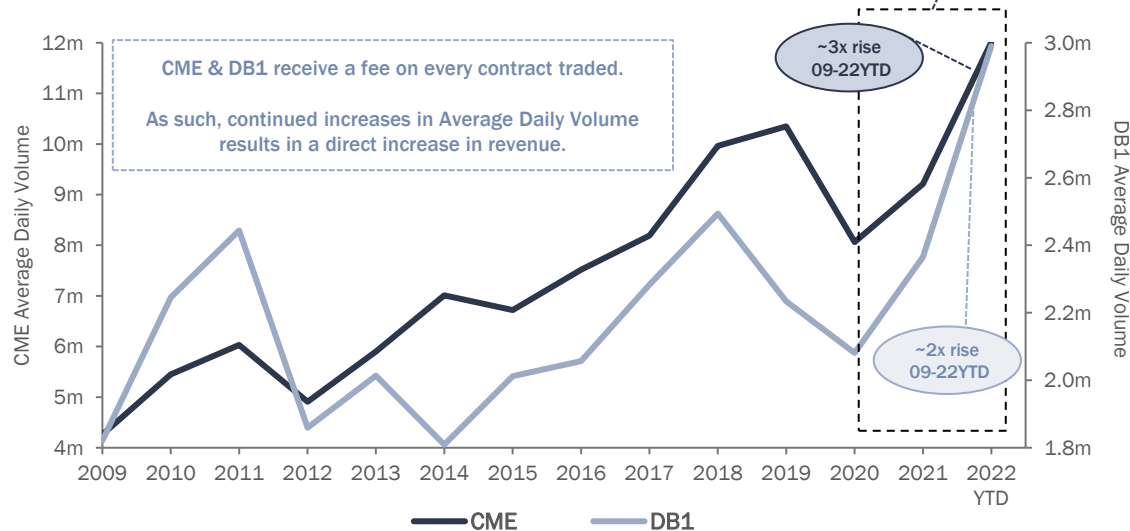
Source: Amazon.com

## Long Positions: CME and Deutsche Börse

### Leverage to Rising Rates and Volatility

- › Increased CME position size and reinitiated position in Deutsche Börse (DB1)
- › Companies positively leveraged to changing interest rates
- › Interest rate contract volumes have seen material increases over the last 12-14 months

Interest Rate Contracts – Average Daily Volume <sup>1,2</sup>

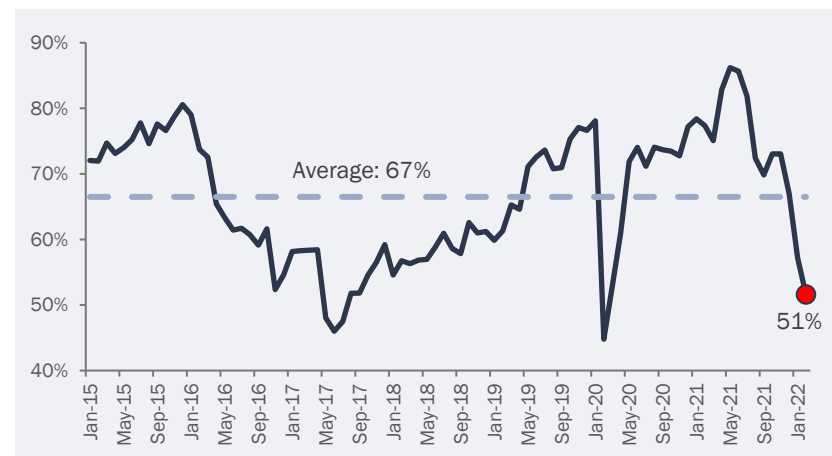


## Short Portfolio

Short Attribution Calendar YTD: +6.3%

- › Significantly scaled up single-stock + basket shorting
- › Expect shorting to become increasingly important given the uncertain macroeconomic backdrop (increasing rates, quantitative tightening)
- › Two examples:
  - › US Housing
  - › Expensive Loss-Making Tech

### VGI Partners Master Fund – Historical Net Exposure



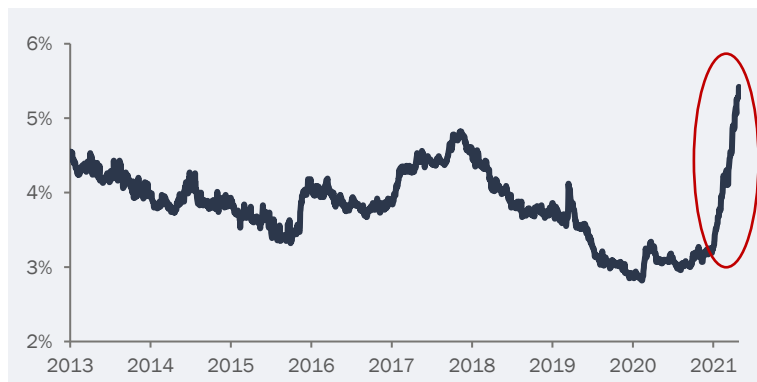
Source: VGI Partners.



## Short Position – US Housing

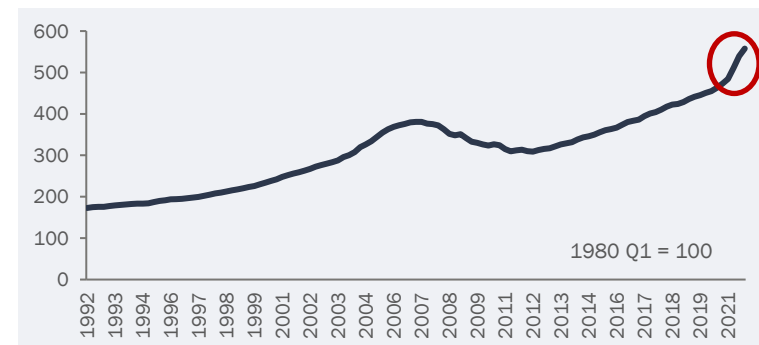
- › Thesis: rising mortgage rates to pressure housing affordability, cyclical unwind of COVID-boostered demand for durable goods
- › Housing affordability issue
- › Rising mortgage rates → lower residential investment
- › Continue to see short opportunities

### US 30-Year Mortgage Rates



Source: Bloomberg.

### US Home Prices Index



Source: Bloomberg, US Federal Housing Finance Agency.

### Relationship Between US Housing Affordability and Housing Starts

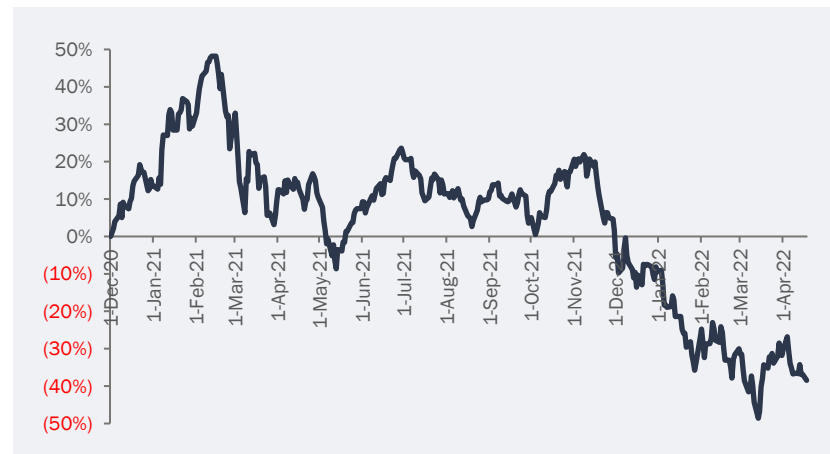


Source: The Daily Shot.

## Short Position – Expensive Loss-Making Tech

- › Our largest positive short contributor YTD has been a custom basket of expensive loss-making tech businesses
- › Thesis: egregious valuations amongst recently-listed, heavily loss-making businesses with limited competitive advantages
- › Covered the short after the basket declined >40%

### Goldman Sachs Non-Profitable Tech Index



Source: Bloomberg, Goldman Sachs.

Note: The Non-Profitable Tech Index is a market value weighted index based on a Goldman Sachs basket of 60 non-profitable US-listed tech companies

Note: We display the Goldman Sachs Non-Profitable Tech Index as a proxy for the decline in these types of securities; the VGI short position is in a different, custom-built and dynamically managed basket

# VGI Partners Asian Investments Limited (ASX: VG8)

## VG8 Net Portfolio Returns

Return Period	Portfolio (Net Return)
3 Months	(7.3%)
6 Months	(4.6%)
1 Year	(12.3%)
Since Inception (p.a.)	(0.5%)

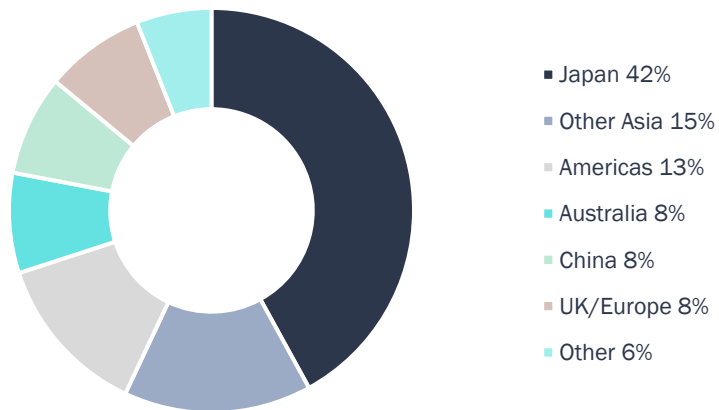
Source: VGI Partners, Citco Fund Services.

31 March 2022 Month End Exposures	
Long Equity Exposure	85%
Short Equity Exposure	(14%)
Net Equity Exposure	71%

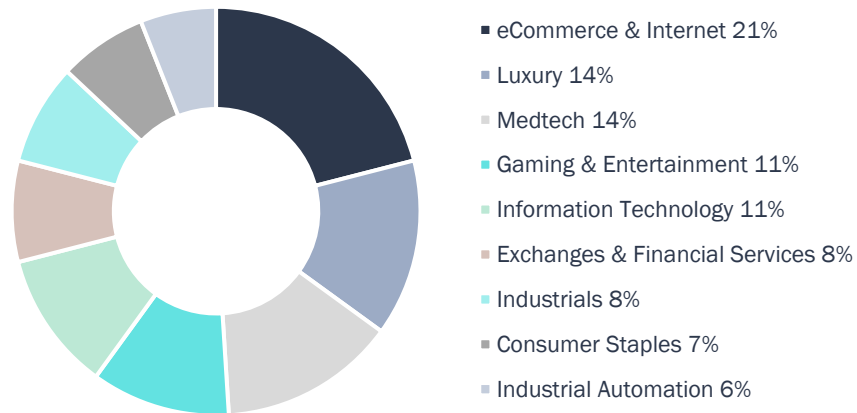
## Asian Portfolio Update

As at 31 March 2022

Long Portfolio by Regional Exposure – Proxied by Revenue<sup>1</sup>



Long Portfolio by Sector






<sup>1</sup> 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 March 2022

Top 10 Long Investments	Sector	% of Portfolio	Overview
<b>RICHEMONT</b>	Luxury	12%	Cartier / Van Cleef jewellery business; misunderstood online business
<b>OLYMPUS</b>	Medtech	8%	Global leader in gastrointestinal endoscopes; long-term secular tailwinds; governance transformation
 <b>JPX</b> JAPAN EXCHANGE GROUP	Exchanges & Fin Services	7%	Monopoly stock and derivative exchange operator; product expansion opportunity
<b>Rakuten</b>	eCommerce & Internet	7%	Japan's largest e-commerce platform; synergistic ecosystem of related Internet and fintech businesses; significant opportunity to harness large subscriber base
<b>Yakult</b>	Consumer Staples	6%	Global brand; global distribution; self-help story
<b>DAIFUKU</b>	Industrial Automation	5%	Global leader in automation for warehouses, cleanrooms, automotive plants and baggage handling
<b>Panasonic</b>	Industrials	5%	Diversified technology company with strength in electric vehicle batteries; transitioning towards a leaner cost structure and software revenue streams
 <b>Alibaba Group</b>	eCommerce & Internet	4%	Dominant e-commerce platform in China; leader in global trends; strong expansion plans
 <b>Nintendo</b>	Gaming & Entertainment	4%	Global interactive entertainment pioneer; shift to recurring digitally-derived revenue; monetisation of world-class intellectual property
<b>mercari</b>	eCommerce & Internet	3%	Leading C2C marketplace in Japan; reinvestment to drive long-term growth
<b>Total</b>		<b>62%</b>	

## Recent Notable Portfolio Changes Amongst Top 10 Holdings

- › Increased position size: **Japan Exchange, Rakuten and Panasonic**
- › New additions: **Daifuku**
- › Exited position: **Crown Resorts**
- › Reduced position size: **Nintendo**

Top 10 Long Investments	% of Portfolio	Change in Position Size
<b>RICHEMONT</b>	12%	—
<b>OLYMPUS</b>	8%	—
 <b>JPX</b> <b>Rakuten</b>	7%	↑
<b>Yakult</b>	6%	—
<b>DAIFUKU</b>	5%	NEW
<b>Panasonic</b>	5%	↑
 <b>Alibaba Group</b>	4%	—
 <b>Nintendo</b>	4%	↓
<b>mercari</b>	3%	↑
<b>Total</b>	<b>62%</b>	

Source: VGI Partners.

Note: The table above only displays notable portfolio changes.

## Daifuku

### Portfolio Holding Update

#### Global leader in warehousing automation:

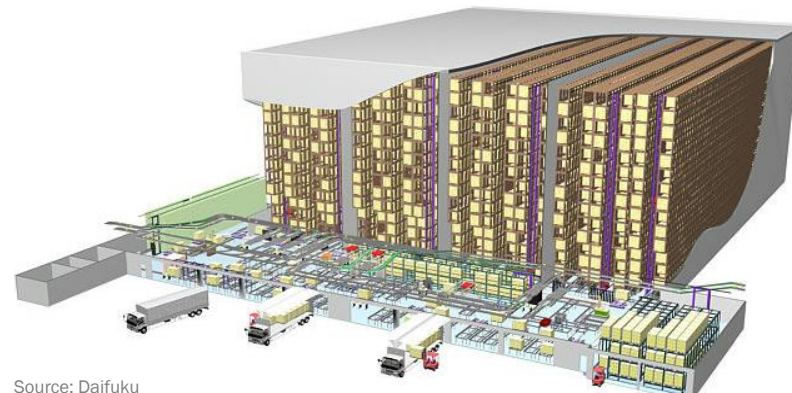
- › Turn-key solutions across the range of equipment types
- › Providing both hardware and software to manage the warehouse
- › Recurring service and maintenance revenues
- › Track record in reliability with limited downtime

#### Management unlocking value by raising margins in other businesses:

- › Cleanroom automation (leveraged to semiconductor growth)
- › Automotive plant automation
- › Airport baggage handling automation



#### Automatic Storage and Retrieval Systems (ASRS)



Source: Daifuku

**Robotic truck  
unloading/loading**



**High-speed  
conveyor sorters**



**Automatic guided  
vehicles (AGV)**





## Panasonic Portfolio Holding Update

### Supply Chain Management

- Global leader in end-to-end Supply Chain Management Software (SCM) via the 2021 acquisition of Blue Yonder
- Synergies with Panasonic hardware including; sensors, electronic shelf labels and sales terminals.

### Technological leader in EV battery cells

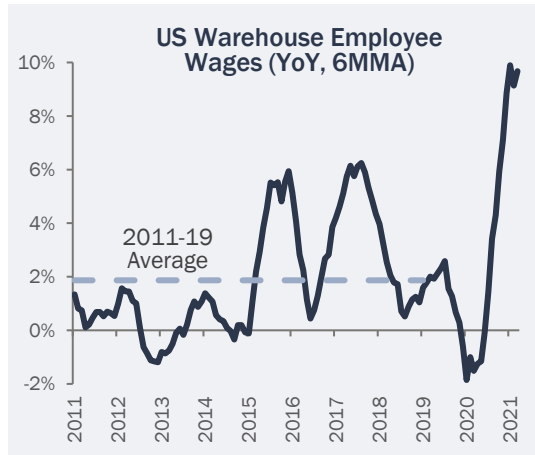
- Supplier of EV battery cells to Tesla
- Joint venture with Toyota in Hybrid and EV batteries

Management unlocking value by raising margins in other businesses and potentially spinning off assets



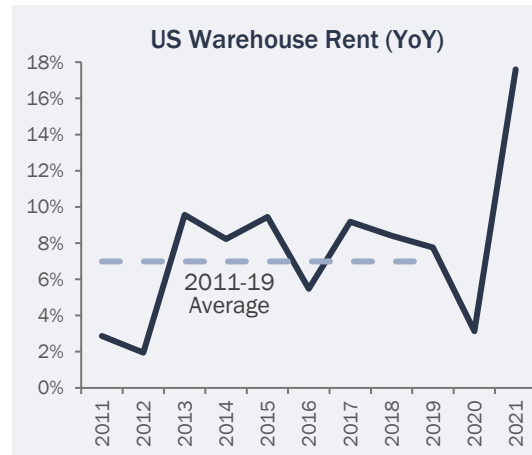
## Inflection In Logistics Automation

Driven by an extreme rise in labour costs ....



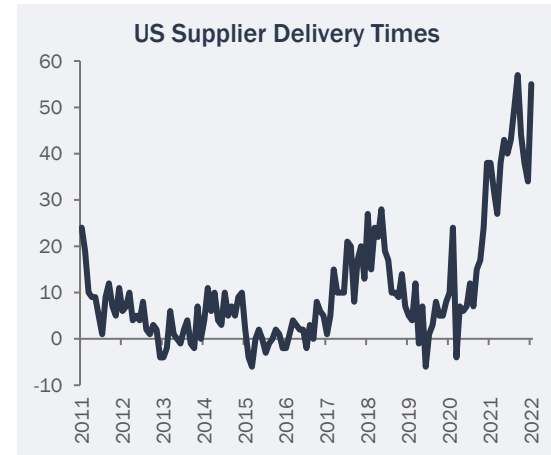
Source: U.S. Bureau of Labour Statistics.

extreme rents (requiring space optimization) ....



Source: Prologis.

and extreme supply chain disruption

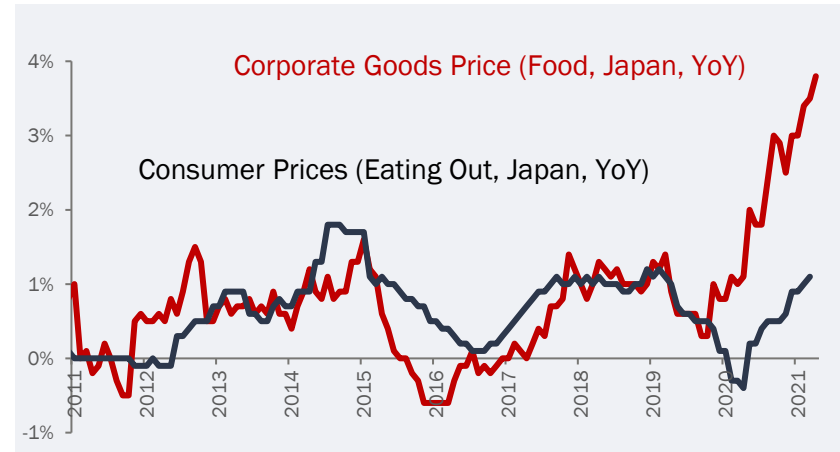


Source: Federal Reserve Bank of Kansas.

## Short Position – Japanese Restaurant Chains

- Japanese restaurant consumption has been in long term structural decline as the population ages and falls
- Restaurants face a disproportionate rise in wage costs as the government mandates minimum wage increases
- A more recent catalyst is the rise in food input prices which restaurants are struggling to pass on

### Restaurants Struggling To Pass On Rising Food Input Prices



Source: Mitsubishi Materials.

# Questions

# Contacts

## **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)

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Japan

# 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%

**Disclaimer:**

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