

# VGI Partners Global Investments Limited (ASX: VG1)

April 2024

# Welcome

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Charlie Aitken

Investment Director, Regal Partners

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# Speakers

VGI  
PARTNERS



Philip  
King

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Co-Founder &  
Chief Investment  
Officer, Regal



Simon  
Birrell

Portfolio Manager  
VGI Partners



Marco  
Anselmi

Portfolio Manager  
VGI Partners



Glen  
Barnes

Head of Asian  
Equities



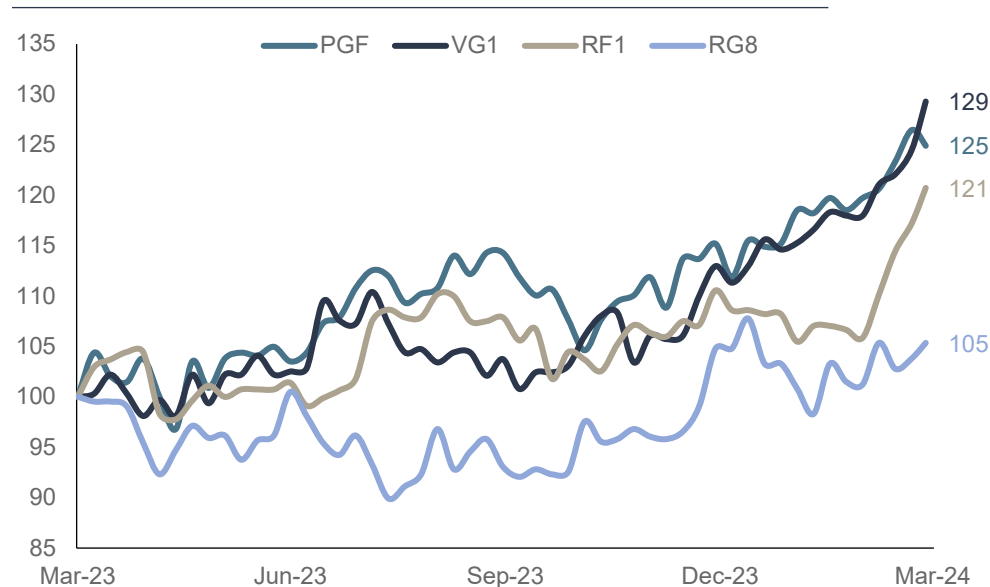
Shannon  
McConaghy

Senior Analyst,  
Asia

# Strong performance across all listed investment vehicles

Fund	Launch	Description	1 yr portfolio return <sup>1</sup>
PGF 	2013	Global L/S Equities	29.6%
VG1 	2017	Global L/S High Conviction	19.9%
RF1 	2019	Multi-strategy alternatives	19.8%
RG8 	2019	Asian L/S High Conviction	6.6%

Total share price return index<sup>2</sup>



Source: Regal, VGI Partners, PM Capital, Bloomberg. Past performance is not a reliable indicator of future performance. It should not be relied upon as (and is not) an indication of future performance.  
 1 Return as at 29 March 2024. Net of fees and costs and is adjusted for capital flows including those associated with the payment of distributions/dividends and tax, share issuance and/or cancellations (option exercise, distribution/dividend reinvestment plan (pre franking benefits), share purchase plan, and equal access buyback) where relevant. 2 Total share price return (gross dividends) per Bloomberg as at 29 March 2024 (weekly data) indexed to a starting value of 100.

## Key summary

1

Bull market is still young and starting to broaden

2

Valuation foundations remain very strong, especially outside the US. Valuation dispersion creating good opportunities for shorting too

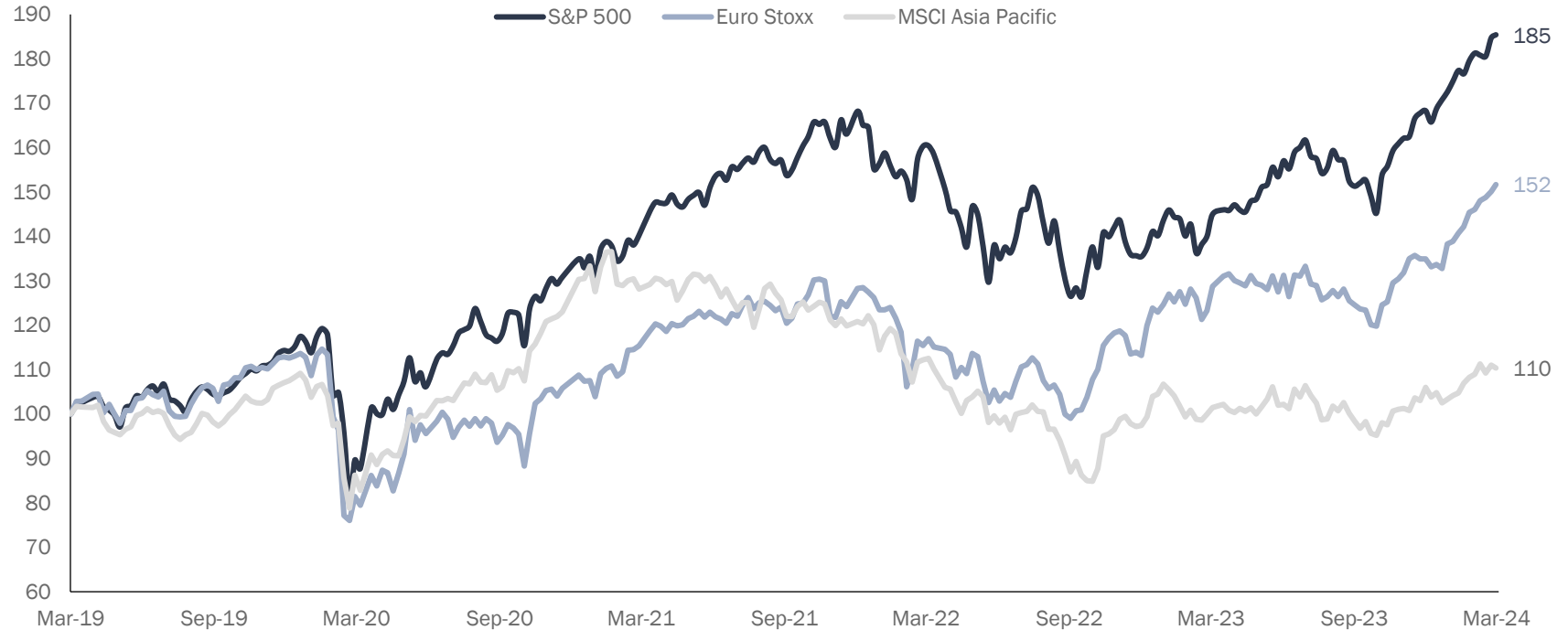
3

VG1 performance improving with shorting and diversification providing downside protection over the last 12 months

4

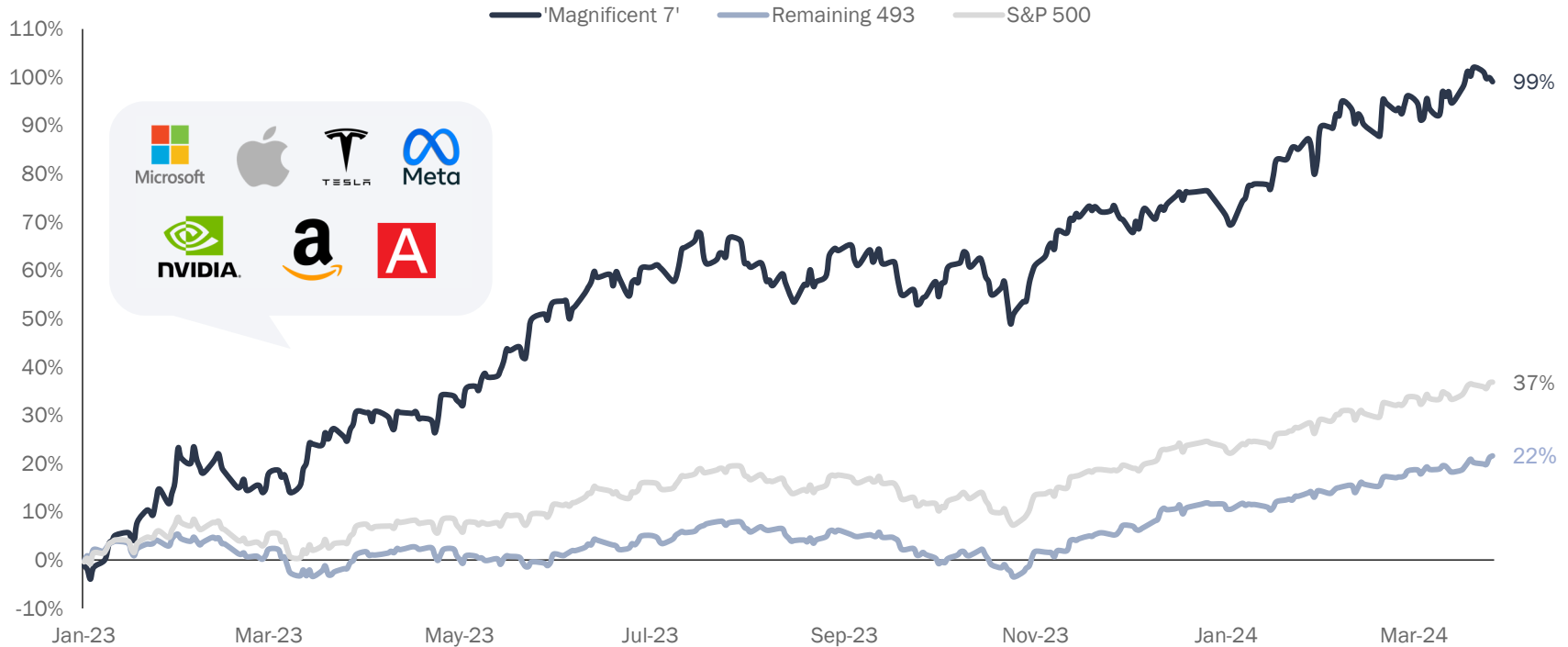
Key exposures include Japan, Europe, resources and selective 'Magnificent 7' stocks

# US and Europe markets hit new highs



Source: Bloomberg as at 29 March 2024 (weekly data). Index levels rebased to 100. Past performance is not a reliable indicator of future performance. It should not be relied upon as (and is not) an indication of future performance.

# S&P 500's gains have been driven by mega cap US tech stocks

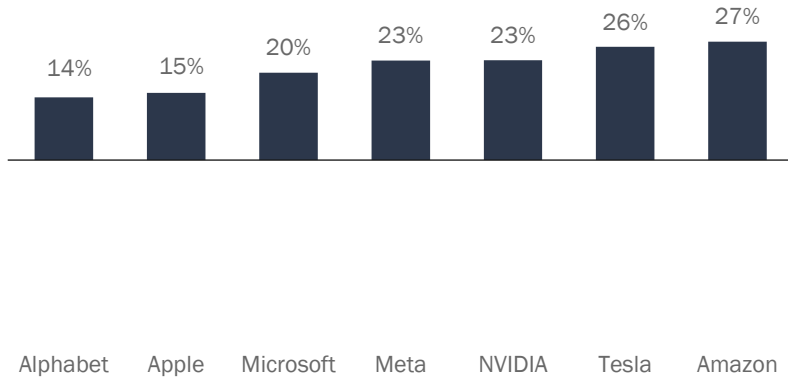


Source: Bloomberg as at 29 March 2024. 'Magnificent 7' include Apple, Microsoft, Alphabet, Amazon, NVIDIA, Tesla and Meta. Past performance is not a reliable indicator of future performance. It should not be relied upon as (and is not) an indication of future performance. The company symbols, trademarks, copyright, & other intellectual property rights are and remain the property of their respective owners.

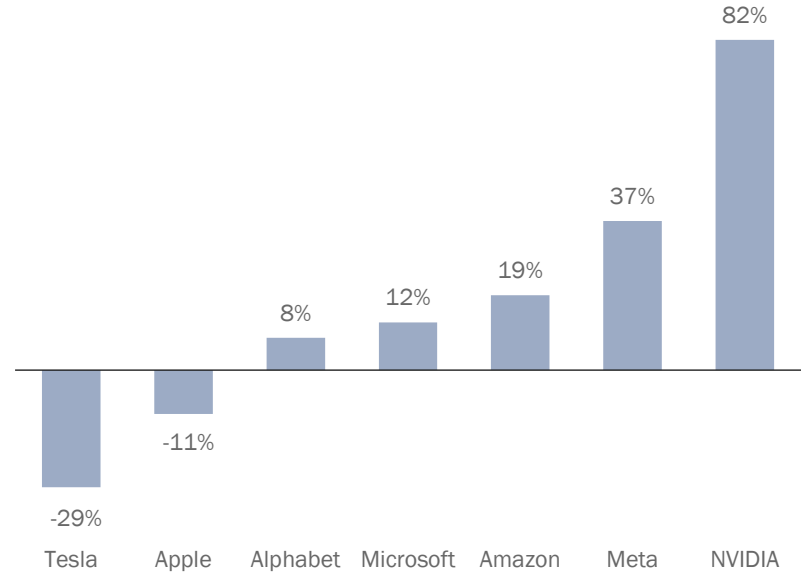


# 'Magnificent 7' no longer magnificent

## 2023 - Oct lows<sup>1</sup> to 31 Dec



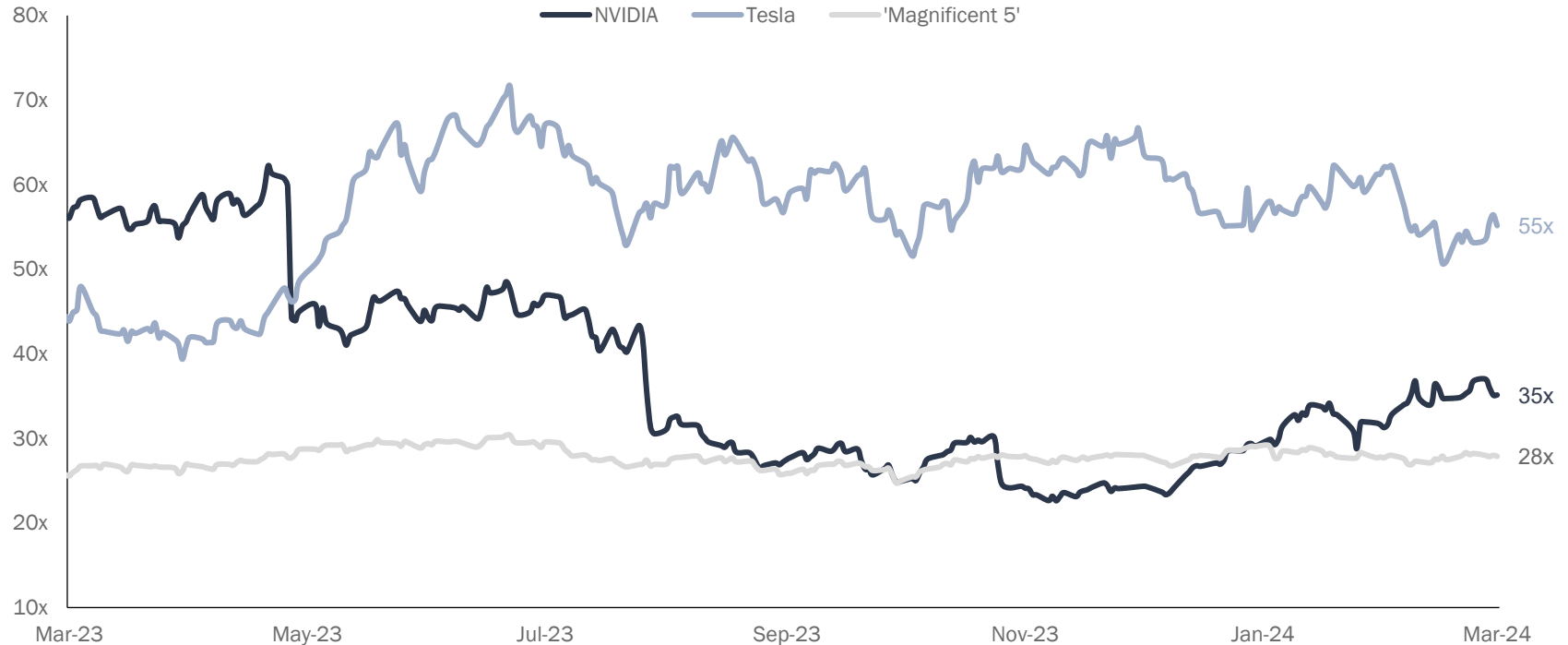
## 2024 March quarter



Source: Bloomberg. Past performance is not a reliable indicator of future performance. It should not be relied upon as (and is not) an indication of future performance.

<sup>1</sup> Microsoft: 3 October 2023. Apple, Amazon, NVIDIA, Meta: 26 October 2023. Alphabet: 27 October 2023. Tesla: 30 October 2023.

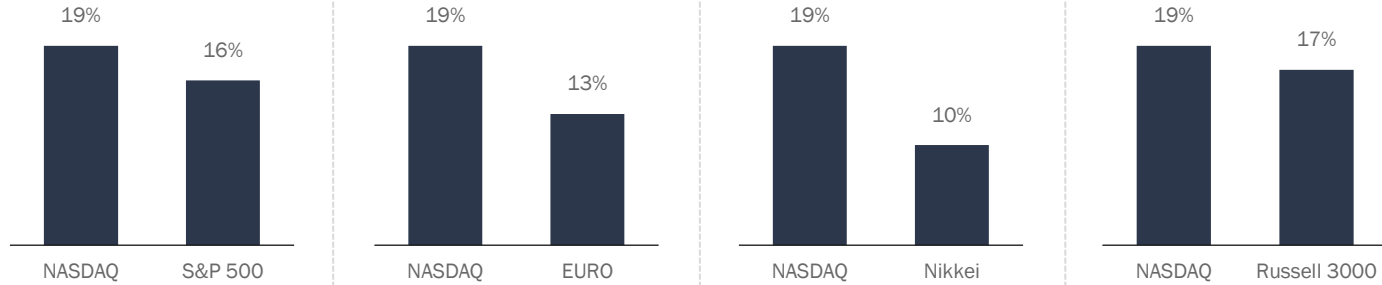
# 'Magnificent 7' ex Tesla delivering



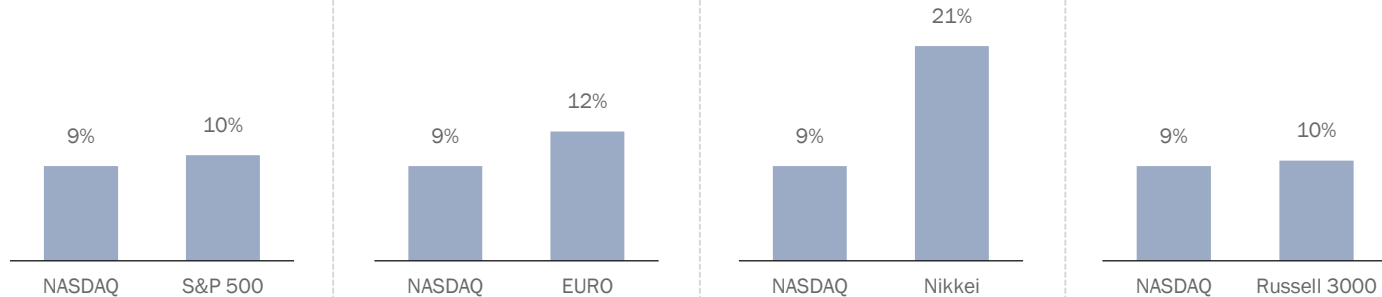
Source: Bloomberg as at 29 March 2024. 'Magnificent 7' include Apple, Microsoft, Alphabet, Amazon, NVIDIA, Tesla and Meta. 'Magnificent 5' forward P/E calculated by taking sum of relevant market caps and dividing by net income. Past performance is not a reliable indicator of future performance. It should not be relied upon as (and is not) an indication of future performance.

# Market rally is broadening out

2023 –  
Oct lows<sup>1</sup> to  
31 Dec



2024 March  
quarter



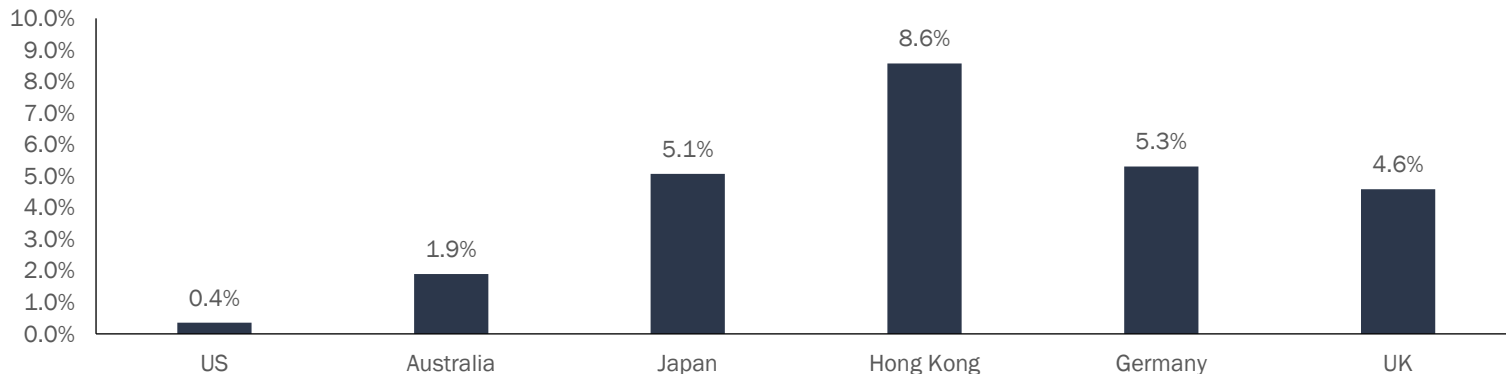
Source: Bloomberg. Past performance is not a reliable indicator of future performance. It should not be relied upon as (and is not) an indication of future performance.

<sup>1</sup> Nikkei: 4 October 2023. NASDAQ: 26 October 2023. S&P 500, EURO STOXX, Russell 3000: 27 October 2023.

# US equity risk premium over the last 20 years

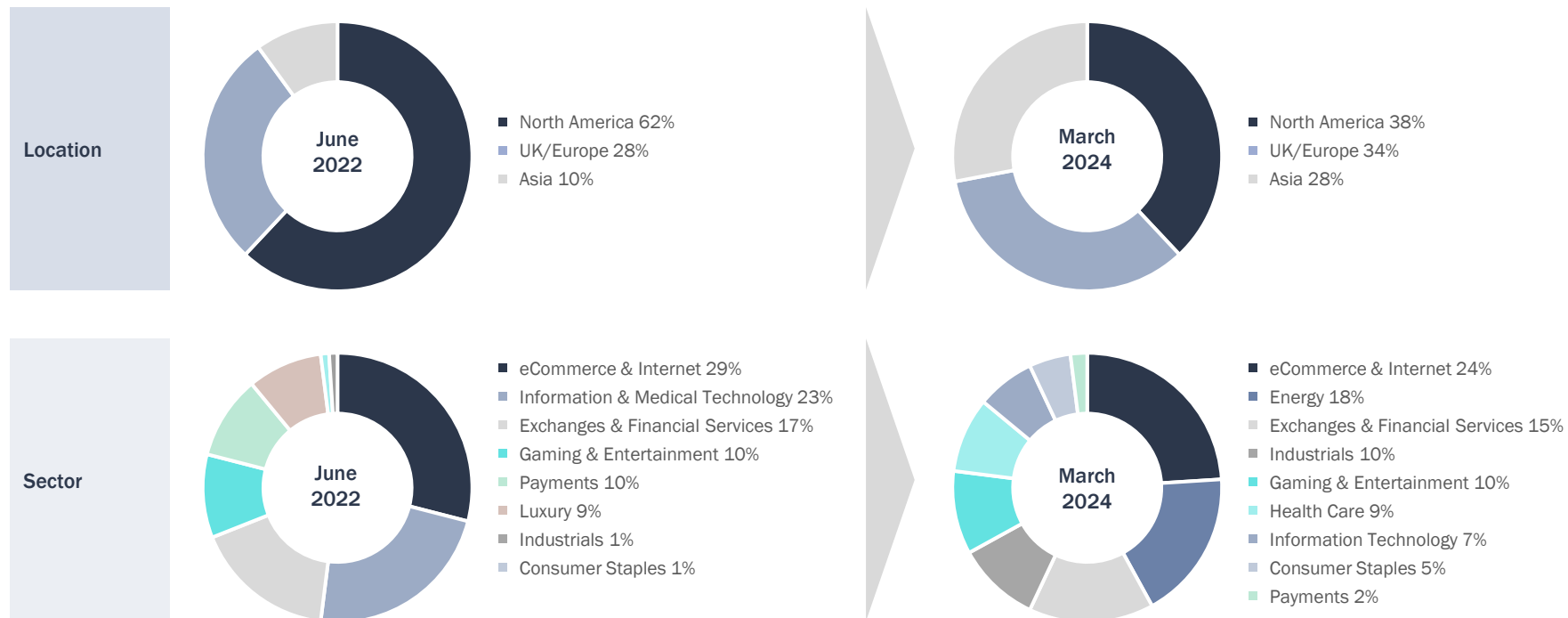


# Best opportunities outside of the US



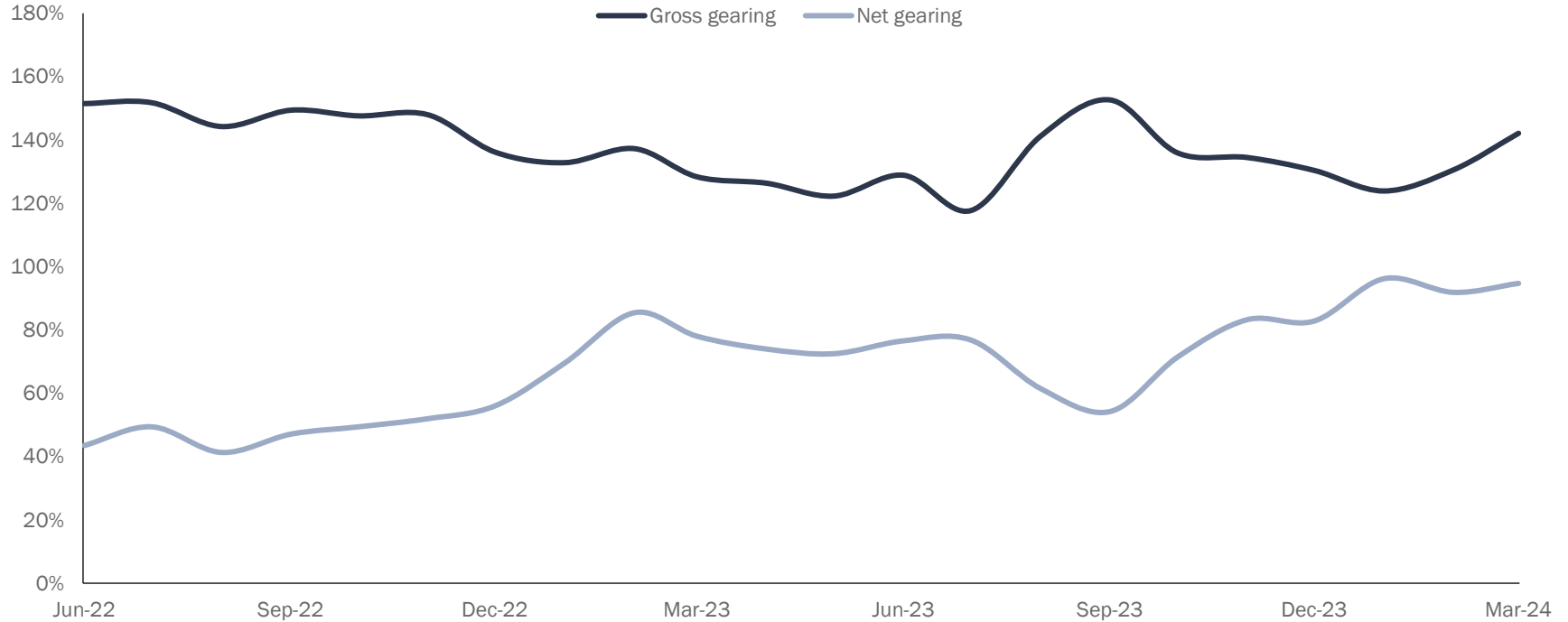
<b>P/E</b>	22.0x	17.1x	17.2x	8.2x	13.2x	11.7x
<b>Corporate earnings yield</b>	4.6%	5.9%	5.8%	12.3%	7.6%	8.5%
<b>10 year government yield</b>	4.2%	4.0%	0.7%	3.7%	2.3%	3.9%
<b>Equity risk premium</b>	0.4%	1.9%	5.1%	8.6%	5.3%	4.6%

# Larger Regal/VGI team has enabled greater diversification of the portfolio



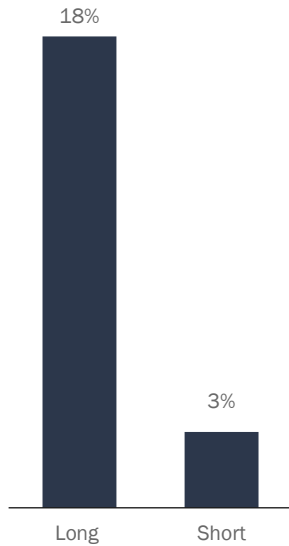
Source: Citco Fund Services, VGI Partners, Bloomberg. Asia includes ASX-listed securities. Long portfolio by location and sector. Sectors have been internally defined. Exposures may not add to 100% due to rounding.

# Increase in net exposure to take advantage of equity markets

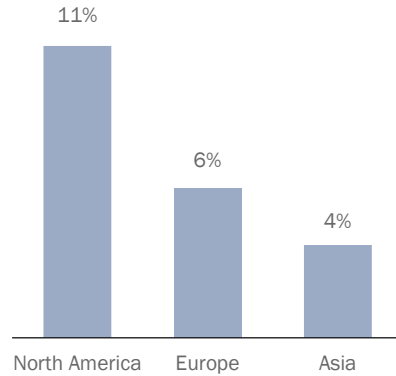


# Attribution (last six months)

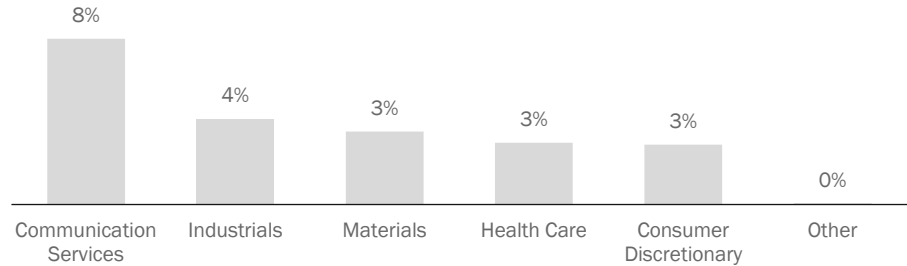
## Long/Short Alpha



## Regional Attribution



## Sector Attribution<sup>1</sup>

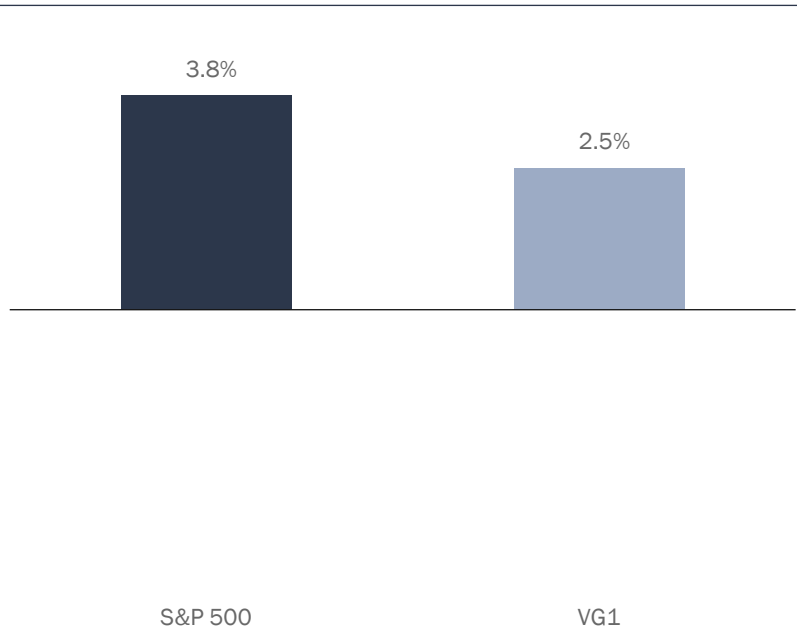


Source: VGI Partners. Asia includes Australia and New Zealand. Past performance is not a reliable indicator of future performance. It should not be relied upon as (and is not) an indication of future performance. 1 Using GICS methodology

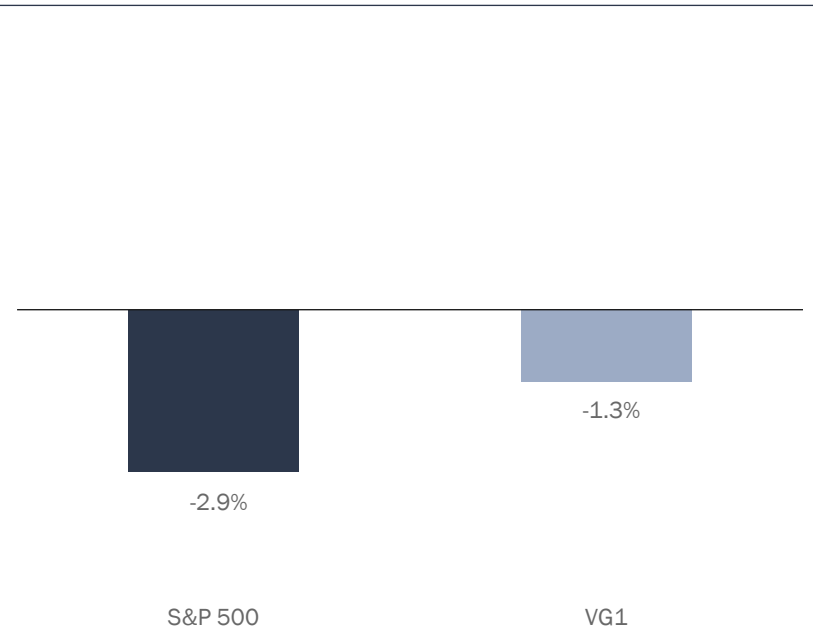


# Shorts working well in difficult environment

S&P 500 up







S&P 500 down

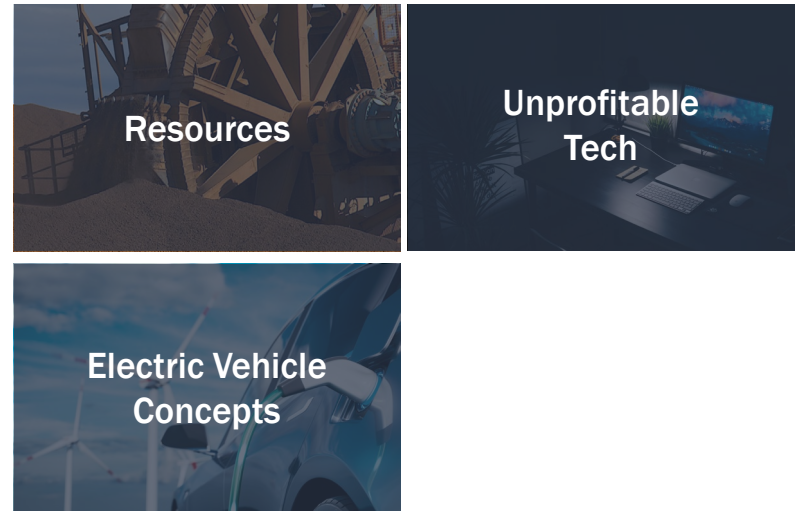


# VG1 portfolio contributors calendar YTD

## Long Contributors to Net Portfolio Return

 AMZN US	 The WALT DISNEY Company DIS US
 Meta META US	 RHEINMETALL RHM GY

## Short Contributors (Sector)



# High conviction ideas

VGI  
PARTNERS

1 Disney

2 Amazon

3 London Stock Exchange Group

4 GE HealthCare

5 Samsung

6 Toyota Industries

7 NexGen

8 Teck Resources

9 Tesla (Short)

# Long idea: The Walt Disney Company



- World leading media conglomerate
- Experiences (Parks and Resorts) business is high quality with strong returns and ability to invest further capital
- Scarcity value in the unique and highly valuable IP assets
- Earnings power has been masked by a period of investment in the streaming business
- Inflection point in the ROIC of the business
- Recent proxy contest has led to a number of shareholder friendly actions likely to accelerate returns

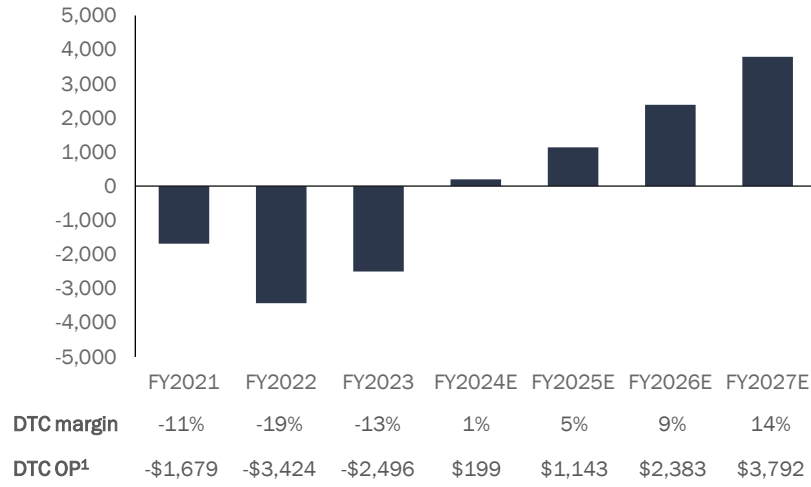
## Share price performance (US\$)



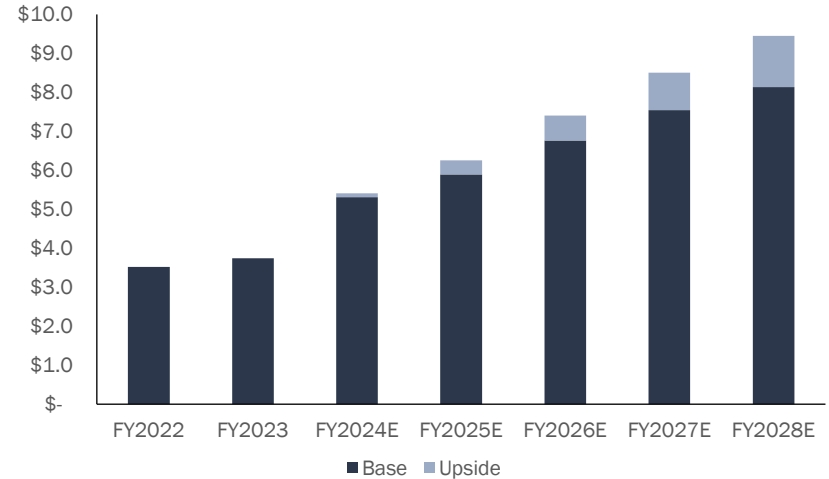
Source: Company Financials, Bloomberg as at 29 March 2024. Past performance is not a reliable indicator of future performance. It should not be relied upon as (and is not) an indication of future performance.

# Long idea: The Walt Disney Company (cont'd)

## Direct-to-consumer (DTC) operating profit (US\$m)




## Annual EPS



- Company EPS declines driven by streaming investment – streaming margins will normalise over time at 10-20%
- DTC Streaming expected to post its first operating profit in coming quarters after years of substantial losses
- Normalised earnings power of the company in excess of \$7 per share

# Long idea: Amazon



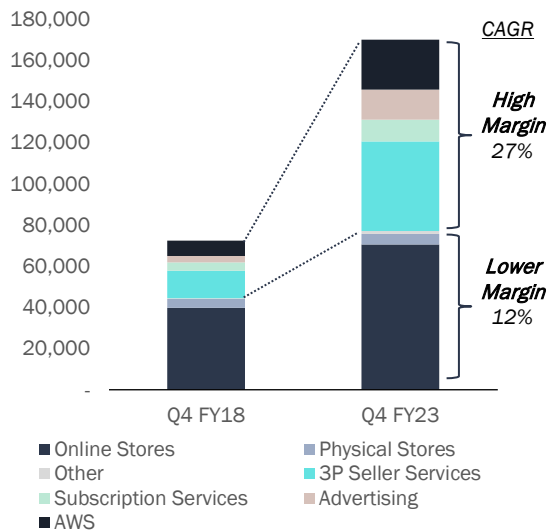
- Collection of scale advantaged, strong moat businesses
  - Amazon Web Services (AWS) – a leader in cloud services
  - Retail – global eCommerce leader
- Higher margin segments are growing faster than lower margin segments – 55% of revenue in Q4 FY23 vs 39% in Q4 FY18
- Operating margins are improving as company executes on efficiency initiatives
- AWS has tailwinds from continued cloud migration and AI investments
- Earnings growth CAGR of >20% in mid term

## Share price performance (US\$)

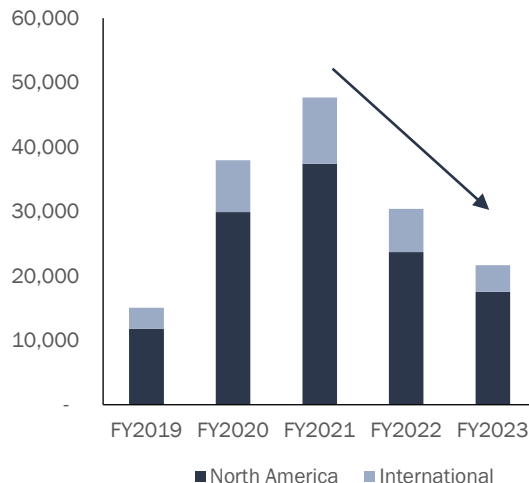


# Long idea: Amazon (cont'd)

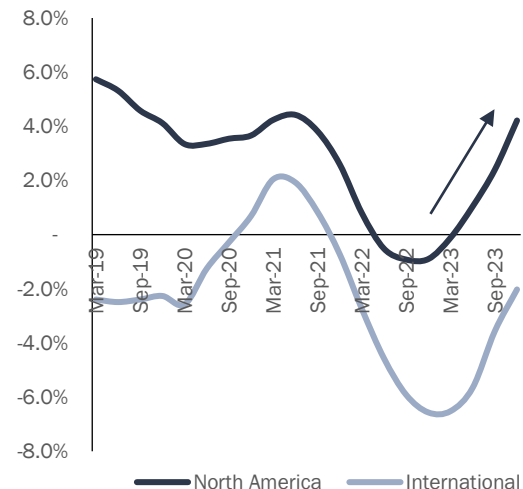
Revenue by segment 4Q FY18 vs 4Q FY23



Retail capex (US\$m)



LTM Retail margins



- Scope for ongoing margin improvement as higher margin segments (i.e. AWS, Advertising and 3P seller services) grow faster than other segments
- Retail operating margins have inflected and will soon be positive again in International
- AWS growth prospects remain attractive despite the scale of the business

# Long idea: London Stock Exchange Group



- The London Stock Exchange (LSE) is different to the London Stock Exchange Group (LSEG)
- Transformed from a traditional transactional exchange into a data and analytics business with a sticky and recurring revenue profile
- Thesis:
  1. Sustained revenue growth acceleration
  2. Margin improvement from depressed base
  3. Re-rating in line with peers

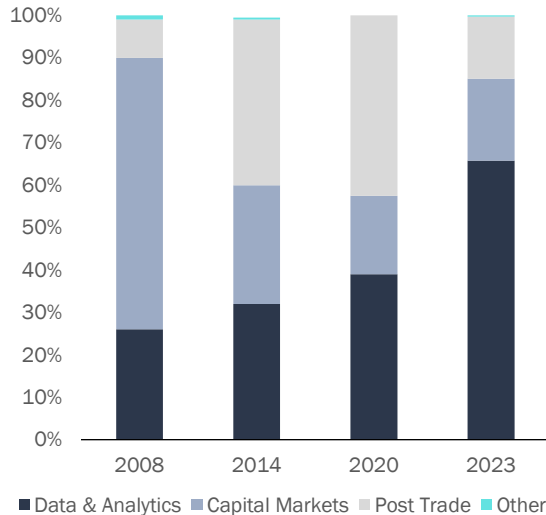
## Share price performance (GBp)



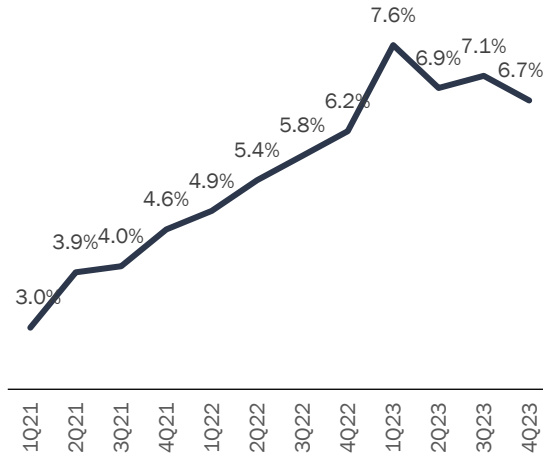


# Long idea: London Stock Exchange Group (cont'd)

## Evolution Towards Recurring Revenue

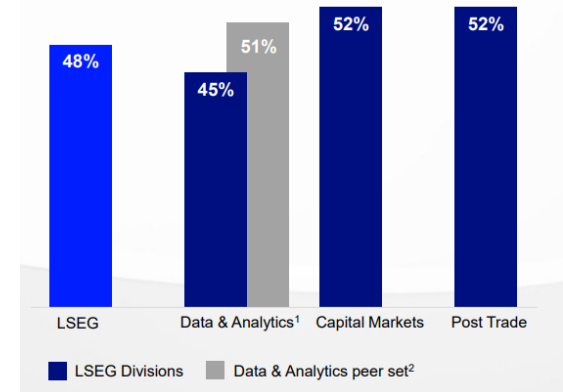


## Annual Subscription Growth



## LSEG Margin Differential vs Peers

### 2022 EBITDA Margins



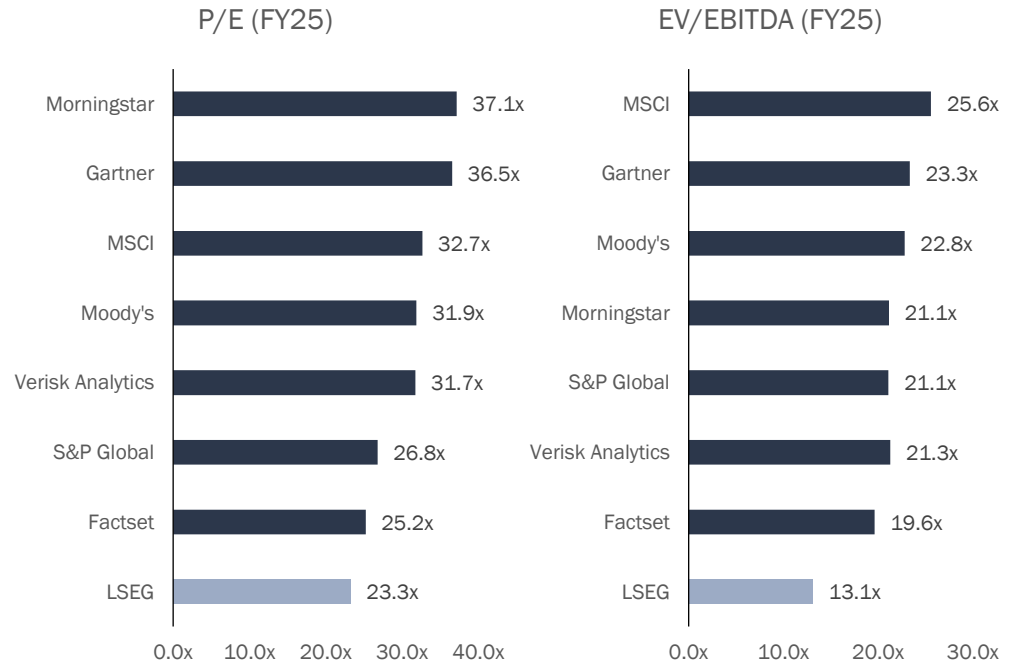
- Evolution in revenue mix towards recurring revenue
- Growth acceleration expected to continue with focus on high growth segments and new product delivery
- Margin opportunity substantial vs data & analytics peers
  - Current margins depressed after heavy investment period

# Long idea: London Stock Exchange Group (cont'd)



- Improved business mix + growth acceleration + better execution = yet to be reflected in LSEG valuation multiples or growth expectations
- More recurring revenue = higher multiple in line with data & analytics peers
- Microsoft partnership to provide tailwind FY25+
- Blackstone ownership overhang removed

## Re-Rating Opportunity as LSEG Valuation Depressed vs Peers



# Long Idea: GE HealthCare



GE HealthCare

- Best-in-class medtech franchise still flying under the radar due to recent spin-off and unproven management team
- Thesis:
  1. Renewed focus & investment will support market share gains
  2. Under-appreciated margin opportunity – big gap to closest peer
  3. Overlooked business quality (resilient & predictable) = re-rating opportunity in line with high-quality medtech peers

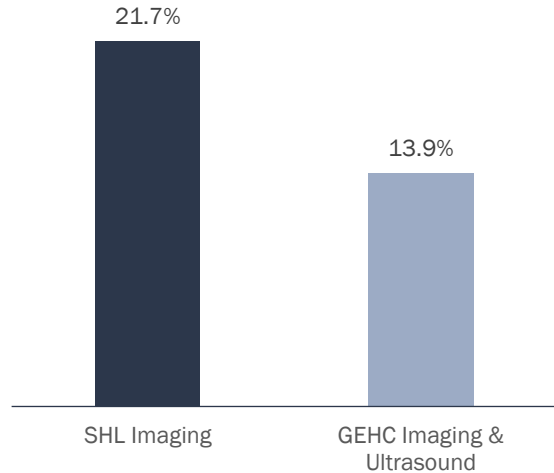
## Share price performance (US\$)



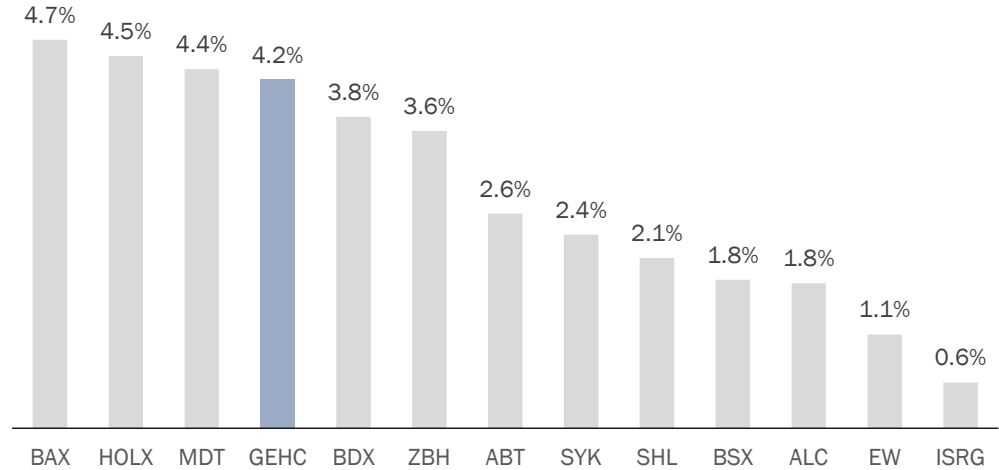
Source: Company Financials, Bloomberg as at 29 March 2024. Past performance is not a reliable indicator of future performance. It should not be relied upon as (and is not) an indication of future performance.

# Long idea: GE HealthCare (cont'd)

## GE HealthCare vs Siemens Healthineers Margin



## GE HealthCare Free Cash Flow yield vs medtech peers



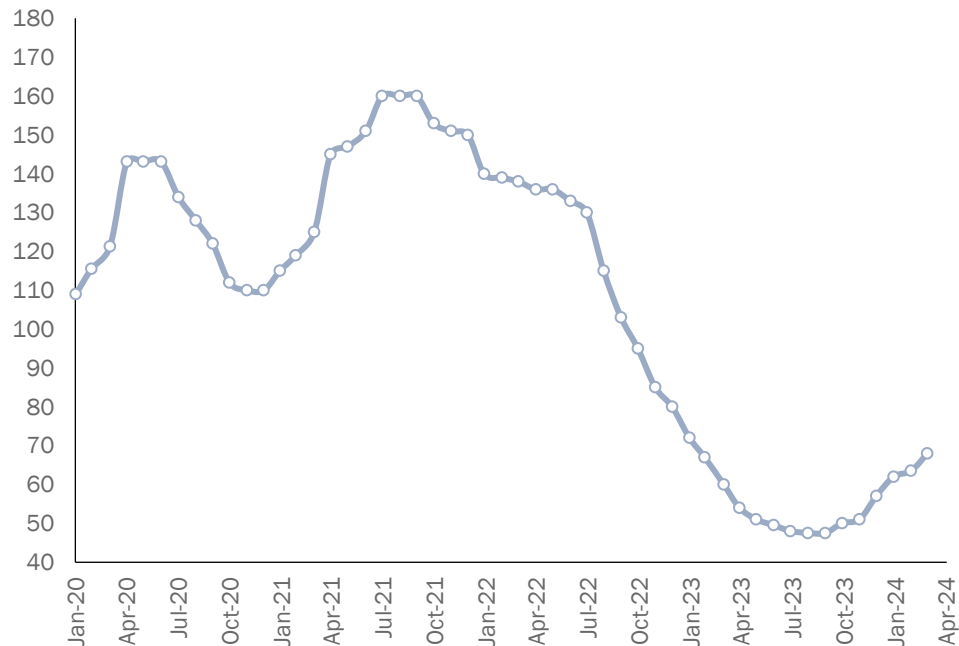
- Underappreciated margin opportunity – big gap to closest peer
- Attractive valuation – both absolute & relative to peers
- High cash generative enabling debt paydown
- GE ParentCo ownership overhang removed
- China concerns overblown

# Memory market

- After a prolonged downcycle, memory prices have bottomed and have entered a new upcycle
- The upcycle is being driven by:
  - Strong demand for leading edge memory products, particularly AI related
  - Improving demand in other key areas such as smartphones, traditional servers and PCs
  - Good supply discipline from memory makers partly due to the improved industry structure over the past 5-10 years
  - Inventory levels continuing to normalise

## The memory market has entered a new upcycle, led by AI related memory

Memory price (US\$)



# Long idea: Samsung

## SAMSUNG

- Major Korean technology company specialising in consumer electronics. Also a major memory manufacturer
- Attractive valuation
- Memory market is rebounding after a prolonged downcycle
- Broader smartphone market and Samsung's own sales are improving after several years of weakness
- Samsung and the Korean market are benefiting from the government led Value Up program which is focused on improving governance and shareholder returns

### Share price performance (KRW)



# Long idea: Toyota Industries Corporation



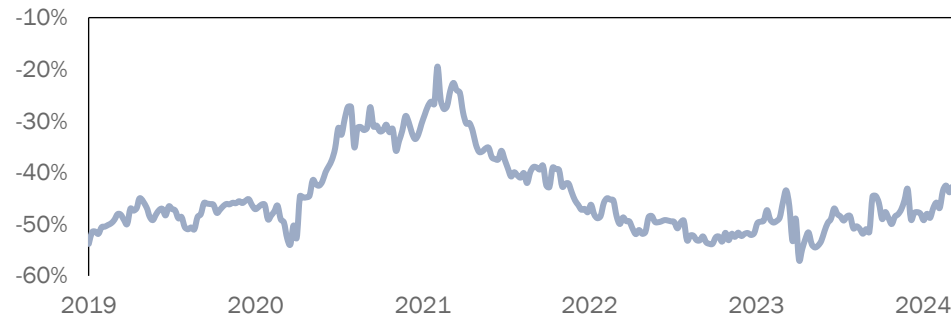
## TOYOTA INDUSTRIES CORPORATION

- Global leader in materials handling and logistics automation equipment
  - Labour shortages driving demand for higher margin warehouse automation and software solutions
- Value of holdings in other listed companies, including Toyota Motor, exceeds Toyota Industries' own market cap
  - Pressure on Japanese companies by the Tokyo Stock Exchange, government entities and emboldened investors to unlock value
- Further upside optionality – global leader in bipolar nickel hydrogen batteries for hybrid vehicles. Collaborating with Toyota Motor in development of bipolar lithium ion solid state batteries

### Share price performance (JPY)<sup>1</sup>



### Discount to NAV<sup>2</sup>



Source: 1 Bloomberg as at 29 March 2024. 2 Bloomberg as at 29 March 2024, Company Financials, Regal Estimates. NAV includes Japan Topix Index multiple for analyst forecast of Toyota Industries core operating business after tax, market value for stock holdings, net cash of the industrial business, UBS estimate of potential battery business value.



# Long idea: NexGen Energy



- Uranium developer whose flagship asset is the Rook 1 Project in Saskatchewan, Canada
- The Project hosts the Tier 1 Arrow Deposit
  - 2021 feasibility study demonstrated Arrow as a tier one orebody with world class economics
  - NexGen is aiming to bring Rook I into production in 2028-29
  - Expected to become the world's largest uranium mine, supplying around 15% of global supply

## Share price performance (CAD)



Source: Company Financials, Bloomberg as at 29 March 2024. Past performance is not a reliable indicator of future performance. It should not be relied upon as (and is not) an indication of future performance.



# Long idea: Teck Resources

The Teck logo is displayed in a white box with a blue border, set against a dark background of a mining site with heavy machinery.

- Canada's largest diversified mining company with operations and projects in Canada, the US, Chile and Peru
- Produces base metals (copper and zinc) and steelmaking coal
- Optimising its asset portfolio and maximising shareholder value
  - Increasing leverage to copper (which has positive *future* fundamentals)
  - Maintaining exposure to steelmaking coal (which has positive *current* fundamentals)

Share price performance (US\$)



Source: Company Financials, Bloomberg as at 29 March 2024. Past performance is not a reliable indicator of future performance. It should not be relied upon as (and is not) an indication of future performance.

# Short idea: Tesla



- Manufactures and sells electric vehicles (EVs) and energy generation & storage systems
- EV volume and revenue growth has disappointed due to weak production and slowing demand
- Increased competition from other automakers including BYD, which overtook Tesla for the first time as the world's largest seller of EVs in 4Q23
- Unsustainable valuation given headwinds faced by its core automotive business and uncertainty around commercialisation of its ideas (e.g. Full Self-Driving, Optimus robot, Dojo supercomputer)

Share price performance (US\$)

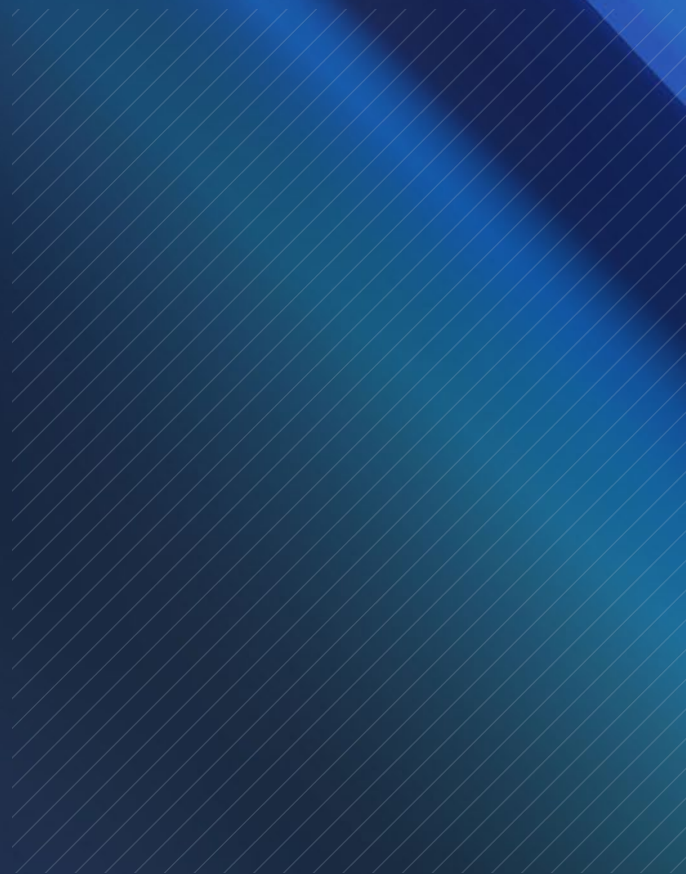


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# Questions

Submit your questions via the side menu on the webcast player

# Appendix



# Key pillars of a successful listed investment vehicle

## Investment Performance

- Deliver attractive risk-adjusted absolute returns over the medium term
- Perform in line or above market expectations
- Explain mistakes or underperformance

## Investor Engagement & Communication

- Experienced sales and marketing team
- Structured client engagement program (performance updates, webinars, broker meetings and calls)
- Scalable marketing technology and CRM platform

## Capital Management Initiatives

- Defined dividend policy
- Buy-back utilised meaningfully when trading at a discount
- Grow and raise capital via a structure that reflects alignment

# VG1 investment guidelines

Exposure	
Number of Long Investments	Typically 10-25 (10-15 Core)
Single Security Long Investment Limit	15% at purchase; maximum of 20%
Number of Short Equity Positions	Typically 10-35
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%

