



SETTING THE COURSE FOR 2021 KEY GLOBAL INVESTMENT THEMES

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ANCHOR

NAVIGATING
CHANGE

SUFFERING FROM COGNITIVE DISSONANCE

Real-world experience

- Job losses
- Business failures
- Restriction of movement
- -ve economic data



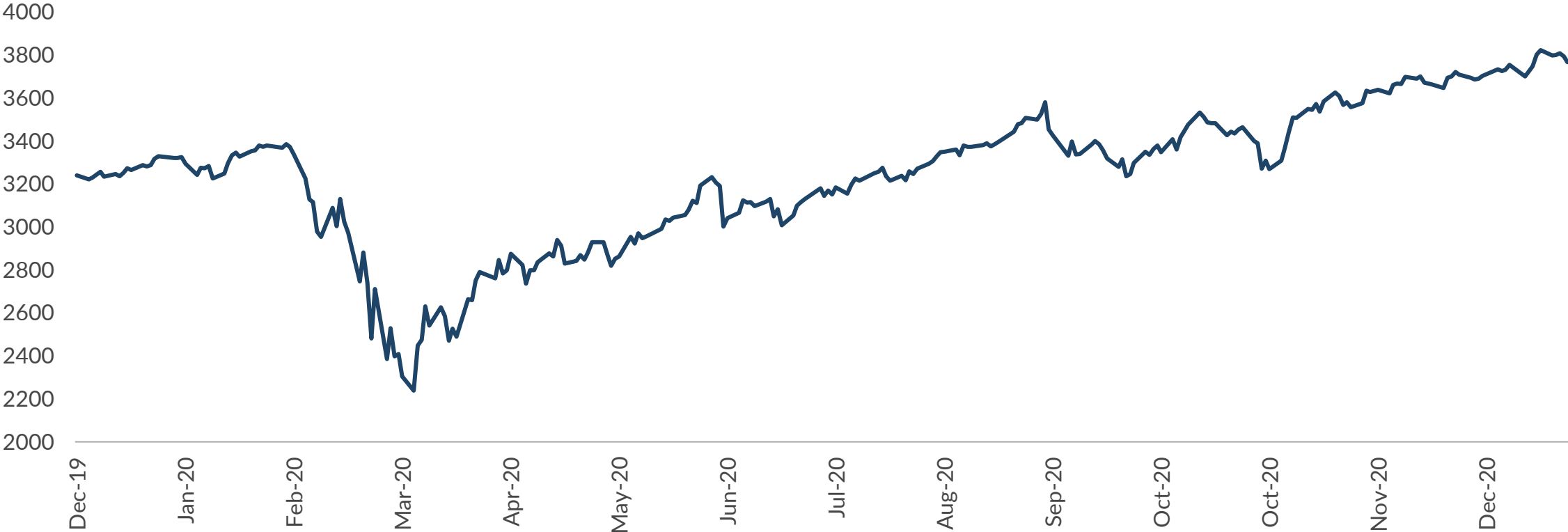
Capital markets

- Rapid recovery
- New all-time high
- Tech sector fervour



LOOK PAST THE RECOVERY...

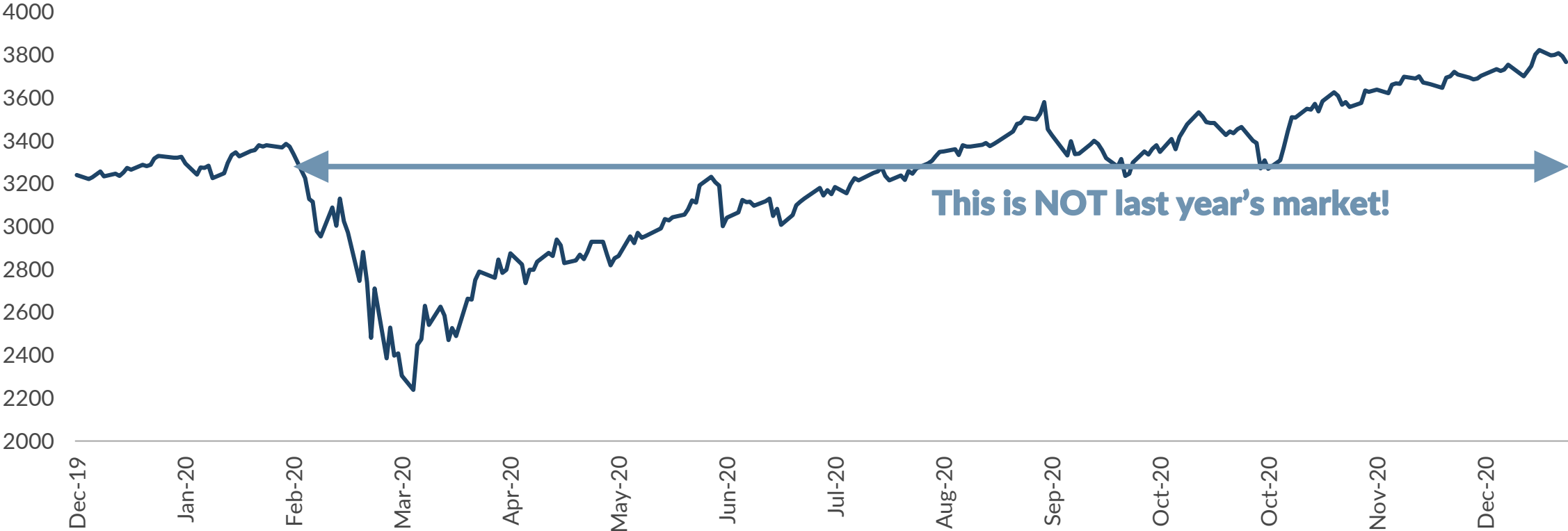
S&P500 (1 year)





LOOK PAST THE RECOVERY...

S&P500 (1 year)



...AND CONSIDER THE SHIFTS

S&P500			
	Average Weight (%)	Total Return (%)	Contribution to Return (%)
		18.4%	18.4%
Information Technology (TECH)	26%	43.9%	11.0%
Consumer Discretionary *	11%	34.4%	3.7%
Communication Services (TECH)	11%	23.6%	2.6%
Health Care	14%	13.4%	2.0%
Consumer Staples	7%	10.8%	0.7%
Industrials	8%	10.0%	0.6%
Materials	3%	20.7%	0.6%
Utilities	3%	0.5%	-0.1%
Real Estate	3%	-2.2%	-0.2%
Financials	11%	-1.8%	-0.8%
Energy	3%	-33.7%	-1.7%

*includes Amazon



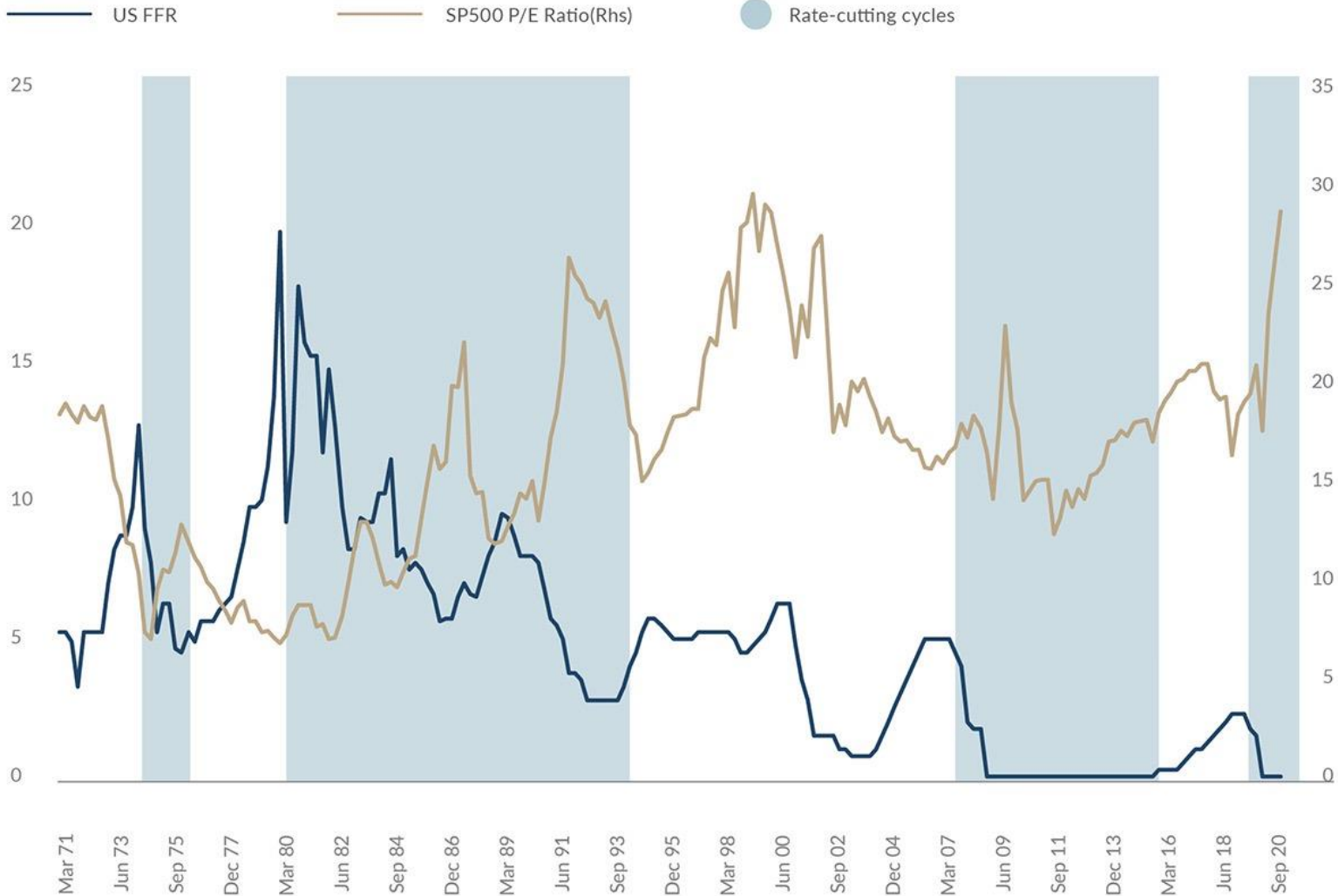
1

INVESTING IN A ZERO INTEREST RATE WORLD



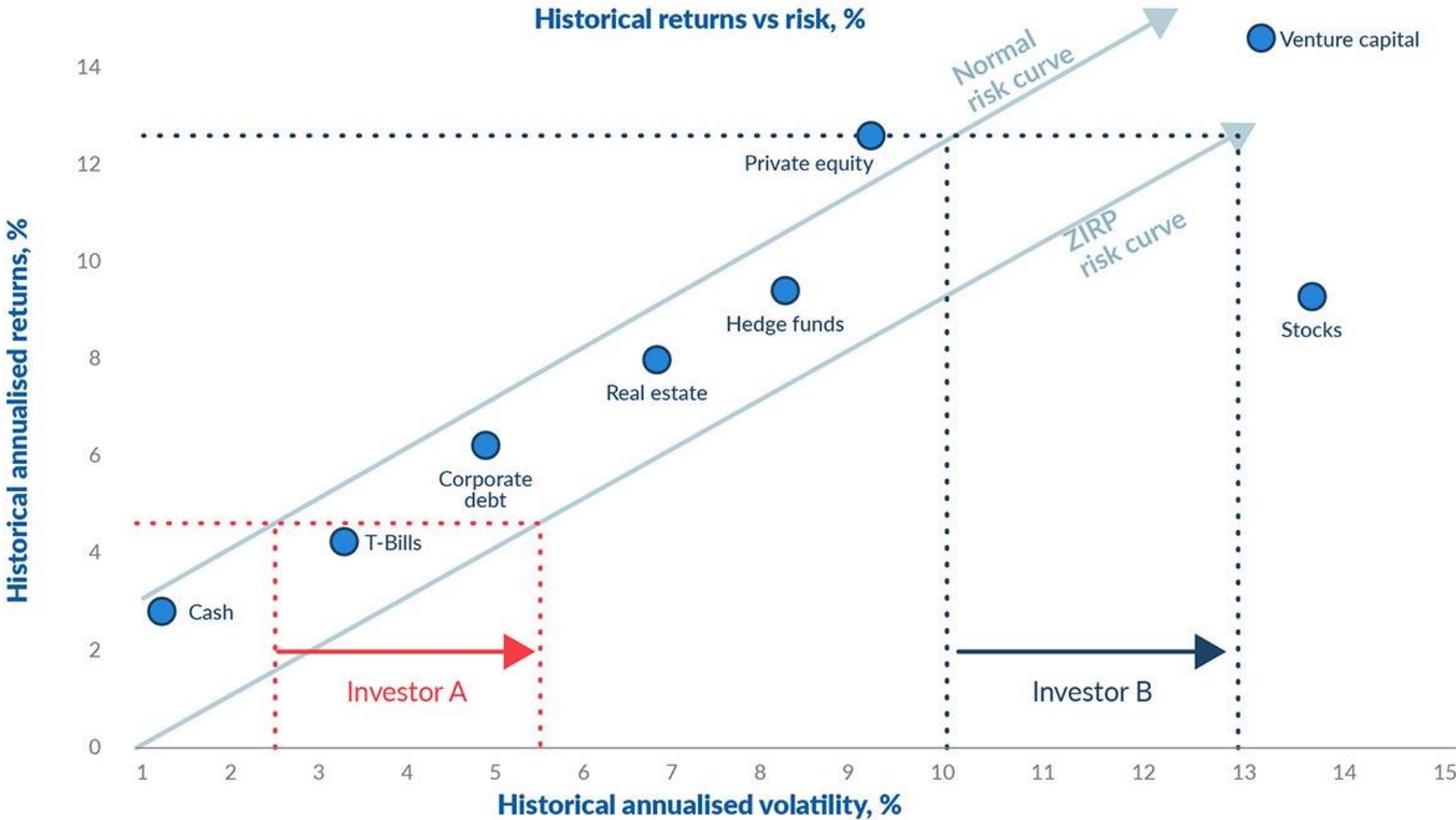
INVESTING IN A ZIRP WORLD

S&P500 P/E vs Federal Funds Rate (50 years)



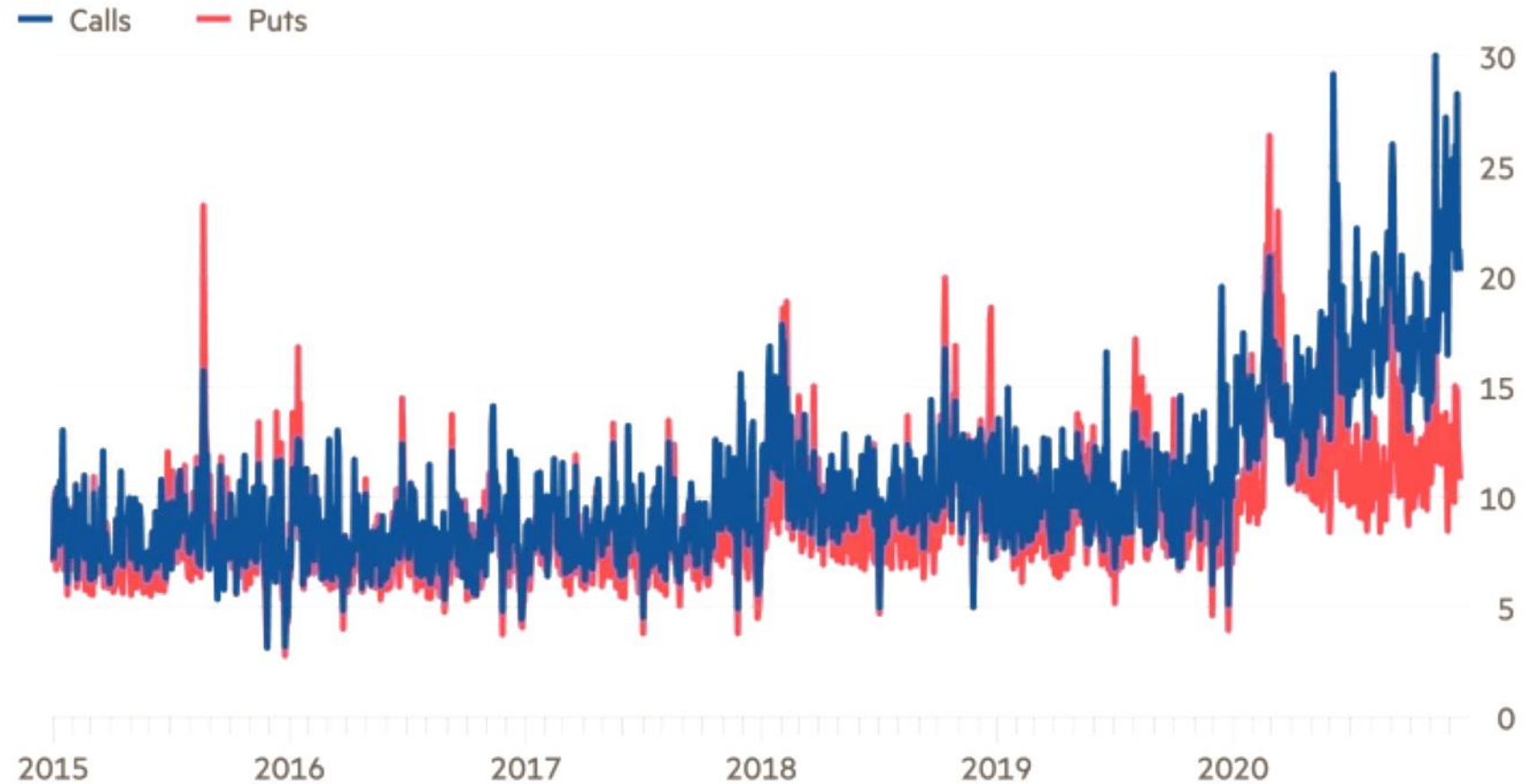


PUSHING EVERYONE UP THE RISK CURVE



MASSIVE RETAIL INVESTOR SPECULATION

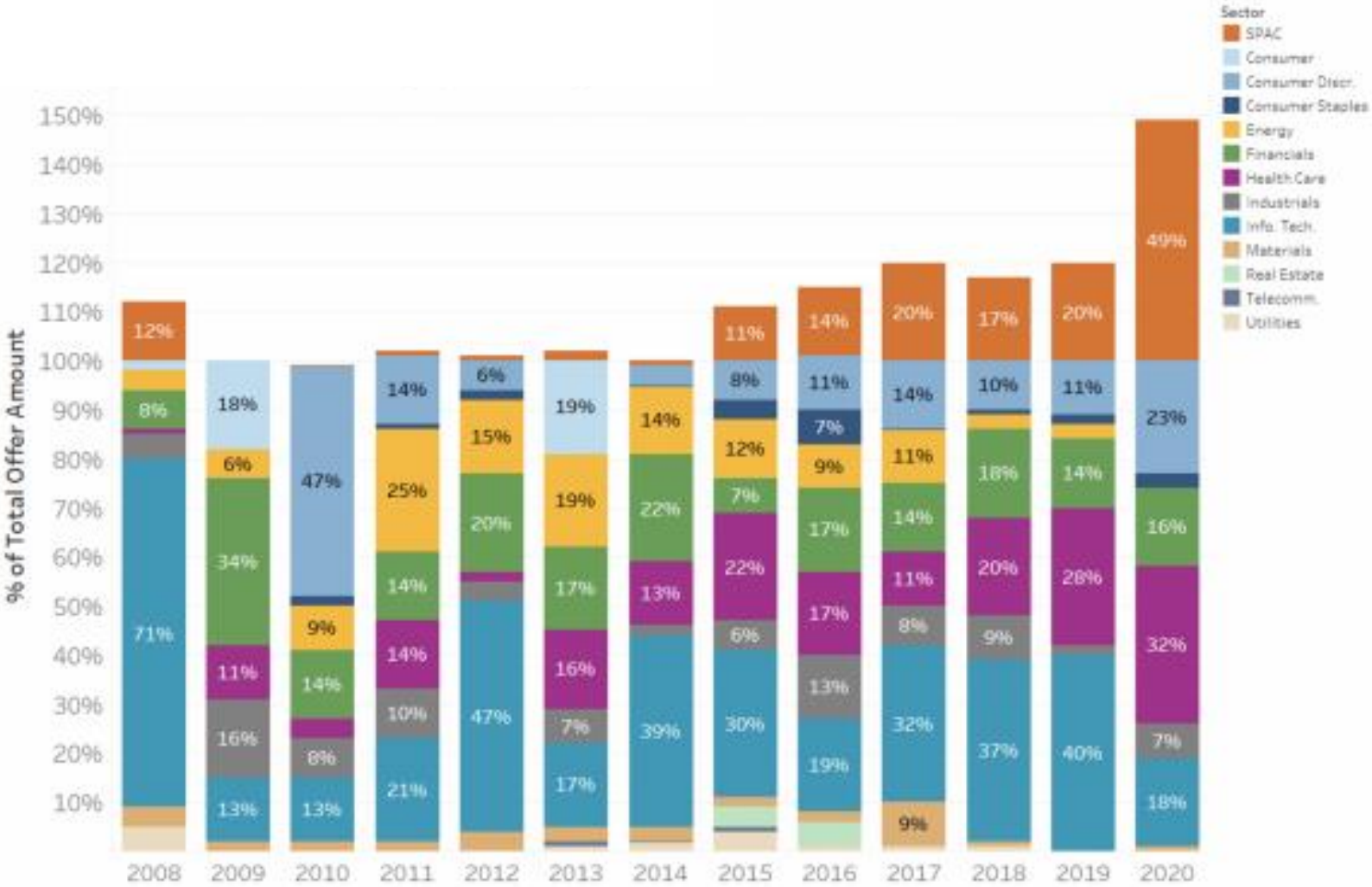
Options trading has exploded this year
Number of put and call option contracts traded in the US each day (m)



MASSIVE RETAIL INVESTOR SPECULATION

% of total amount raised by sector

Data as of 2020/12/31 Sector % based on proportion of gross proceeds excluding SPACs

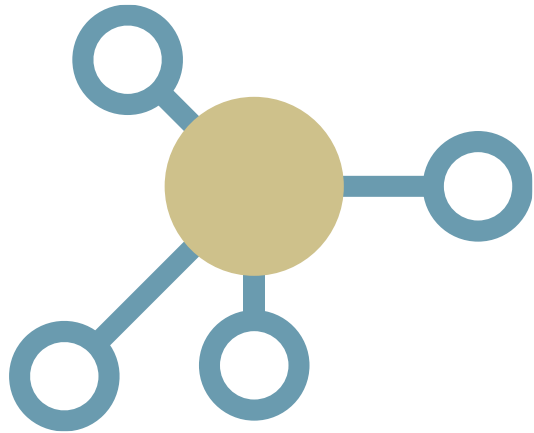


...AND UNUSUALLY HIGH TOLERANCE FOR RISK

FOMO > calculated risk-taking

Narratives > fundamentals

Bull cases = base cases



Outcome

- Favour grounded valuations
- Stay clear of momentum names
- ✓ **OWN:** Facebook, Alphabet, Amazon
- × **AVOID:** Airbnb, Zoom, Uber

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HEALTH OF THE US CONSUMER



THE WALL STREET JOURNAL.

Covid-19 Upended Americans' Finances, Just Not in the Ways We Expected



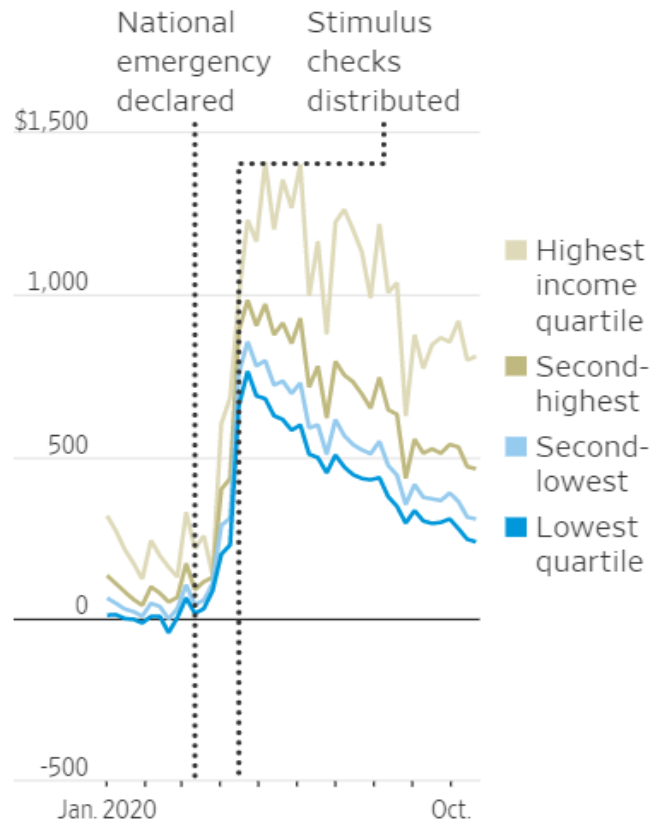
A woman with short reddish hair, wearing a red top and dark pants, stands in a yard with two young children. One child is on the left, and another is on the right, reaching towards the woman. The background is a large green bush. The scene is dimly lit, suggesting dusk or dawn.

Stimulus checks put extra \$ in her pocket

She bought stocks after the crash

Refinanced her mortgage at 3%

Median household checking account balance in 2020, change from a year earlier

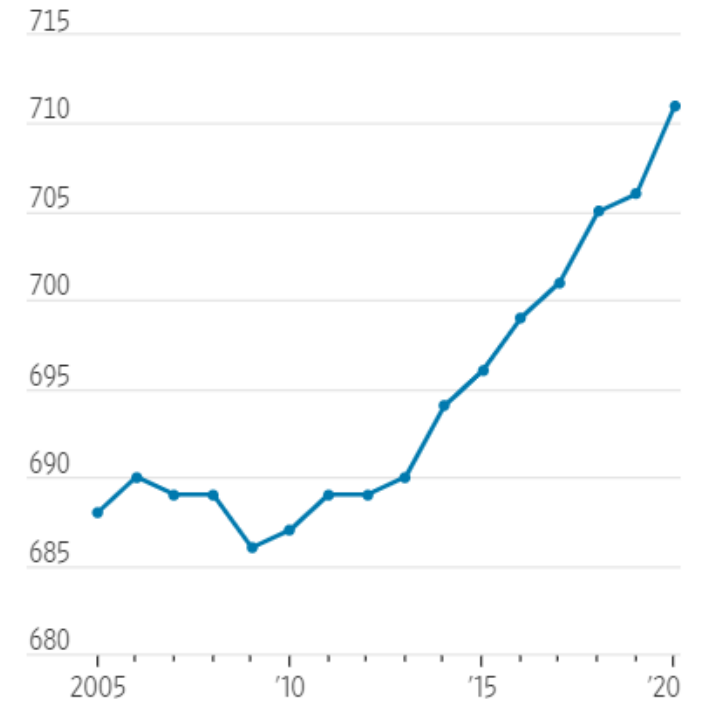


Average interest rate on a 30-year fixed mortgage



Source: Freddie Mac via St. Louis Fed

Average U.S. FICO score



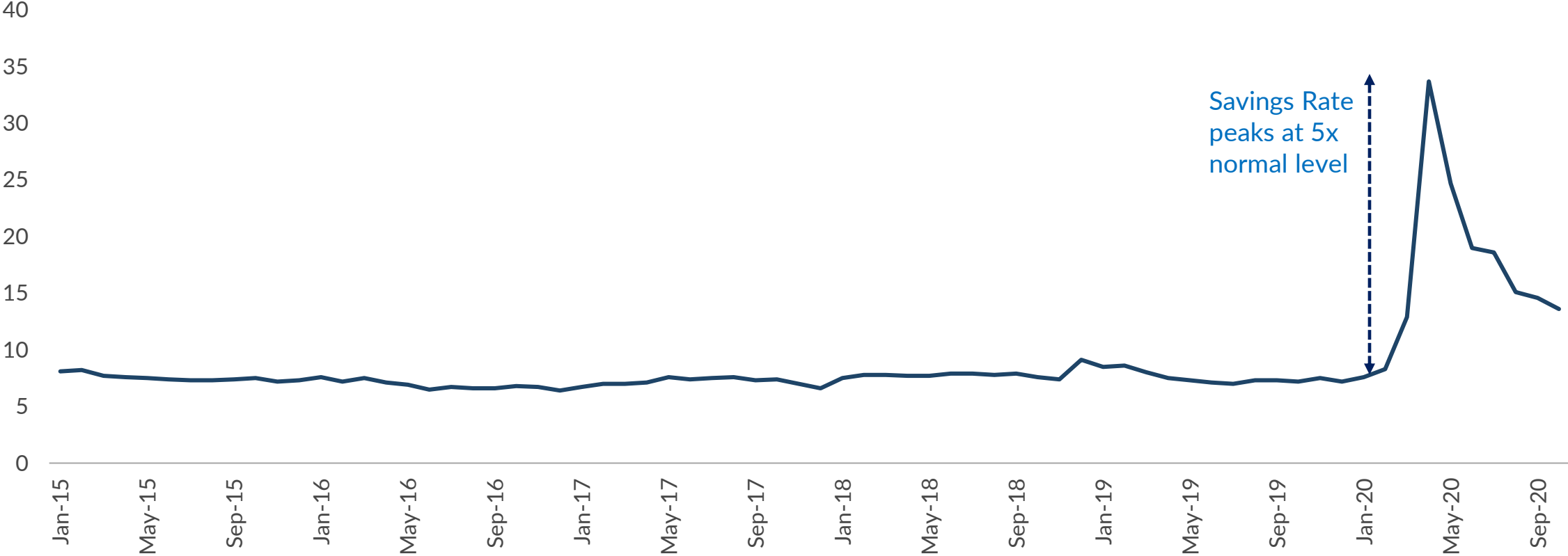
Note: Scores measured in October of each year.

Source: Fair Isaac Corp.



US\$1TN CONSUMER FIREPOWER

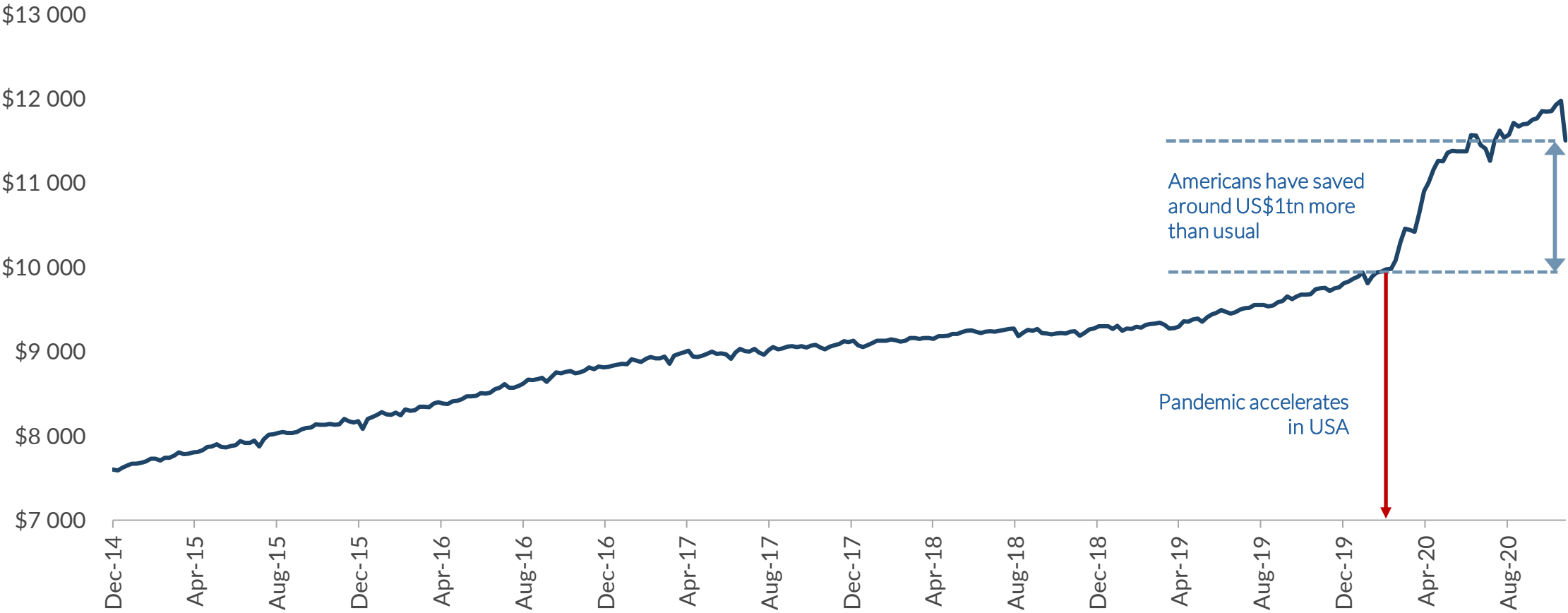
US Personal Savings Rate (%) (5 years)





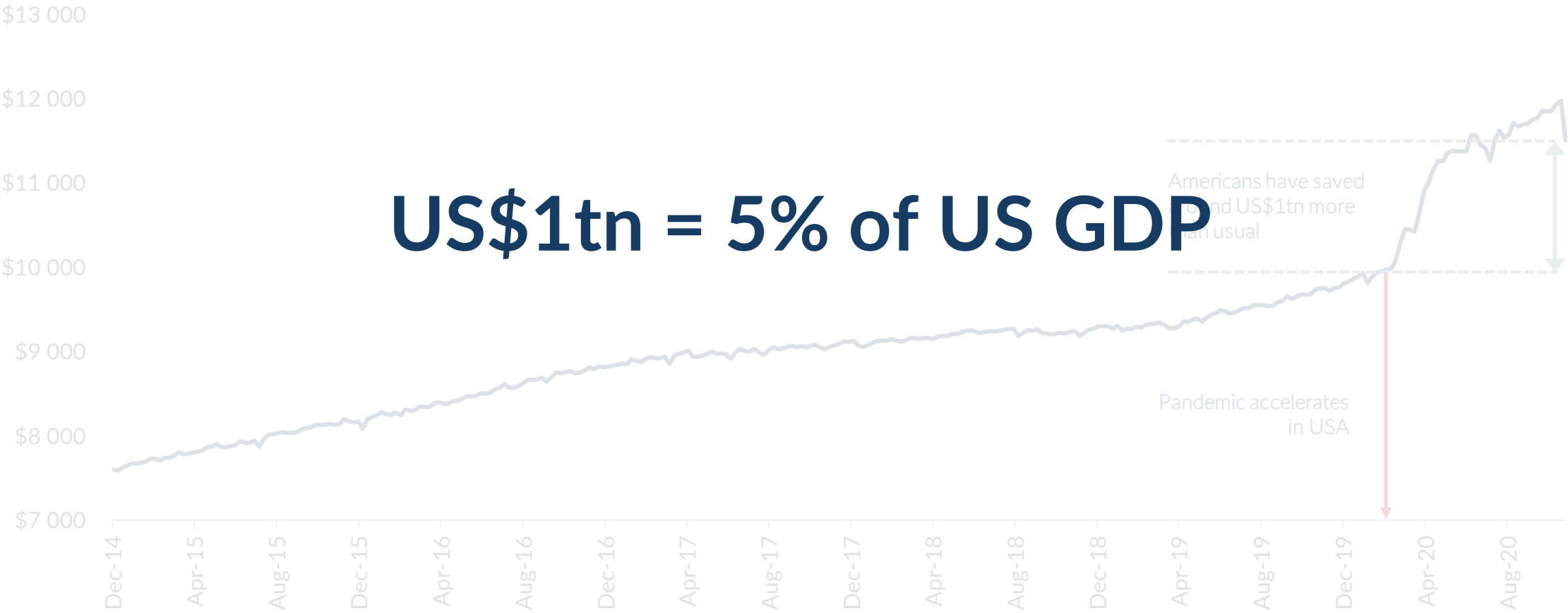
US\$1TN CONSUMER FIREPOWER

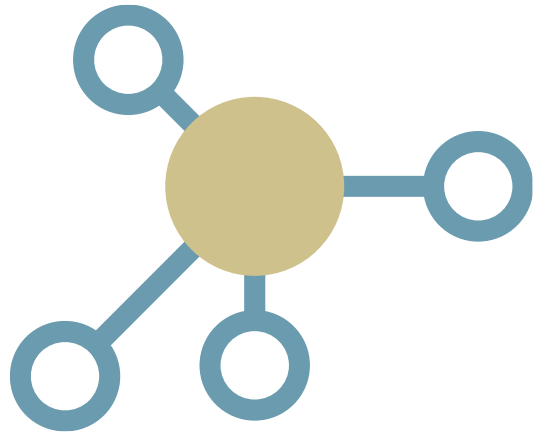
US total savings deposits at all institutions (5 years)



US\$1TN CONSUMER FIREPOWER

US total savings deposits at all institutions
(5 years)





Outcome

- Favour consumer-facing cyclicals
- ✓ **OWN:** US financials, Healthcare, BEACH stocks
- × **AVOID:** Major index-tracking ETFs

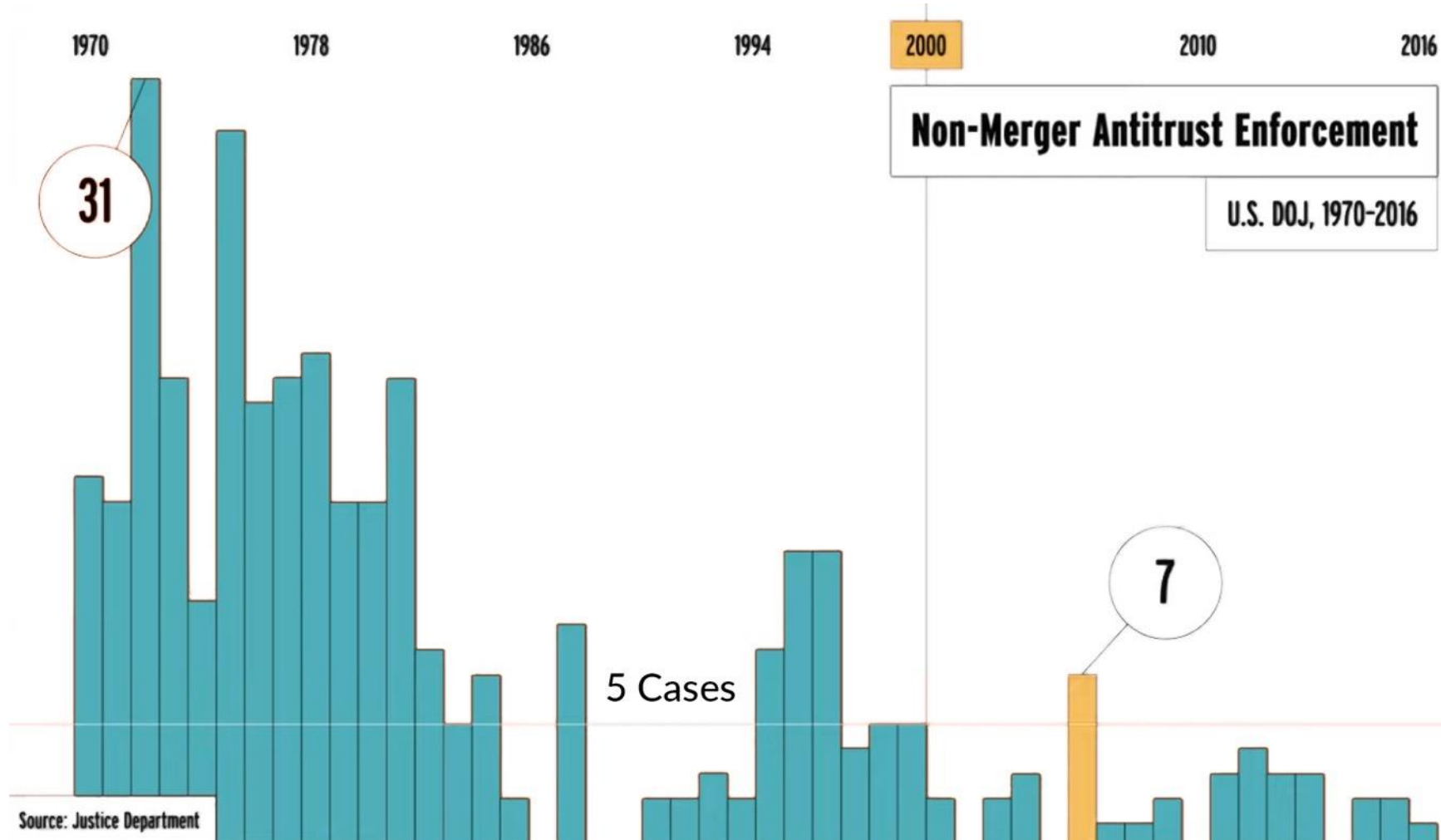


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ANTITRUST AND TECH

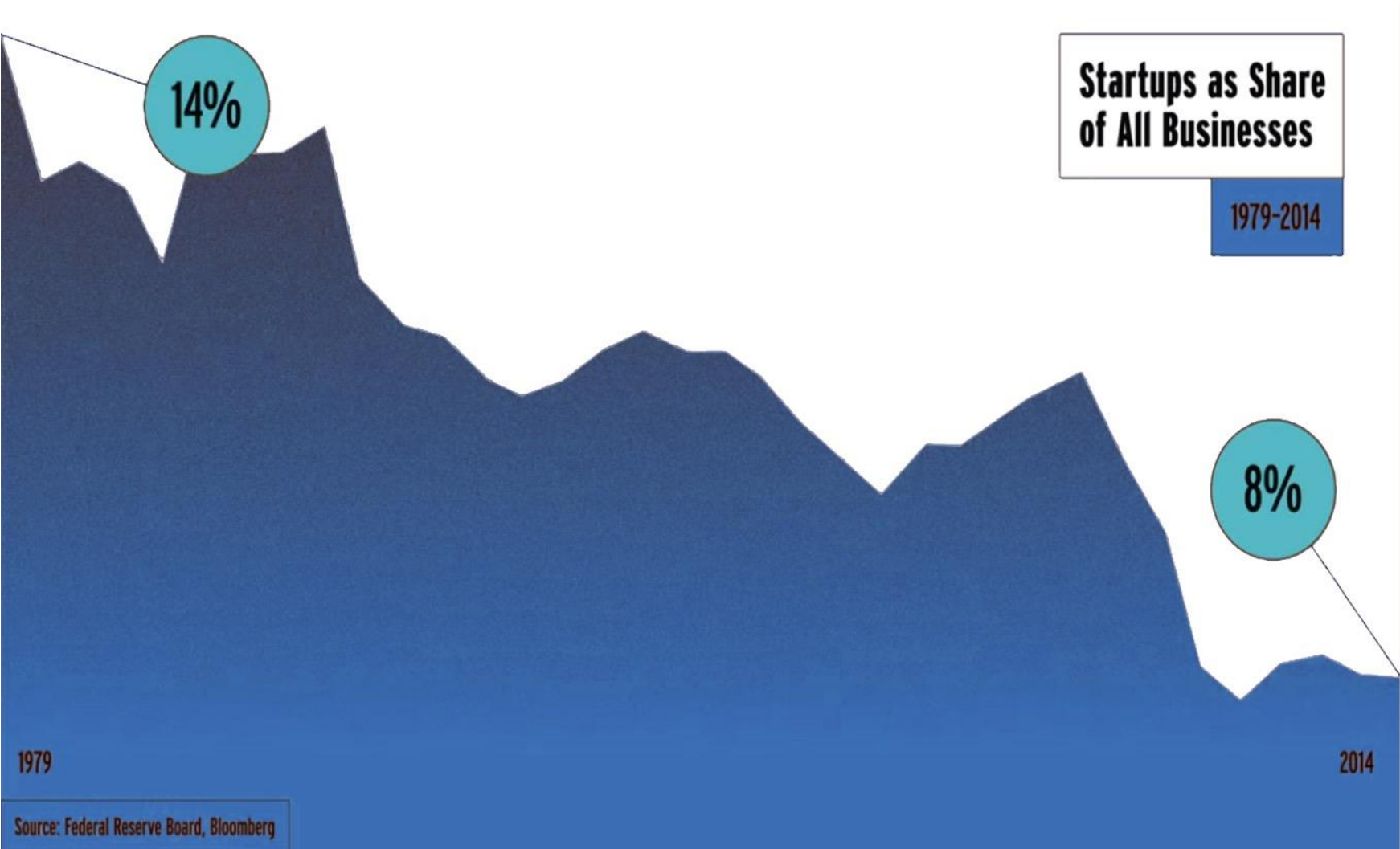


TECH'S GOLDEN AGE OF NO REGULATION





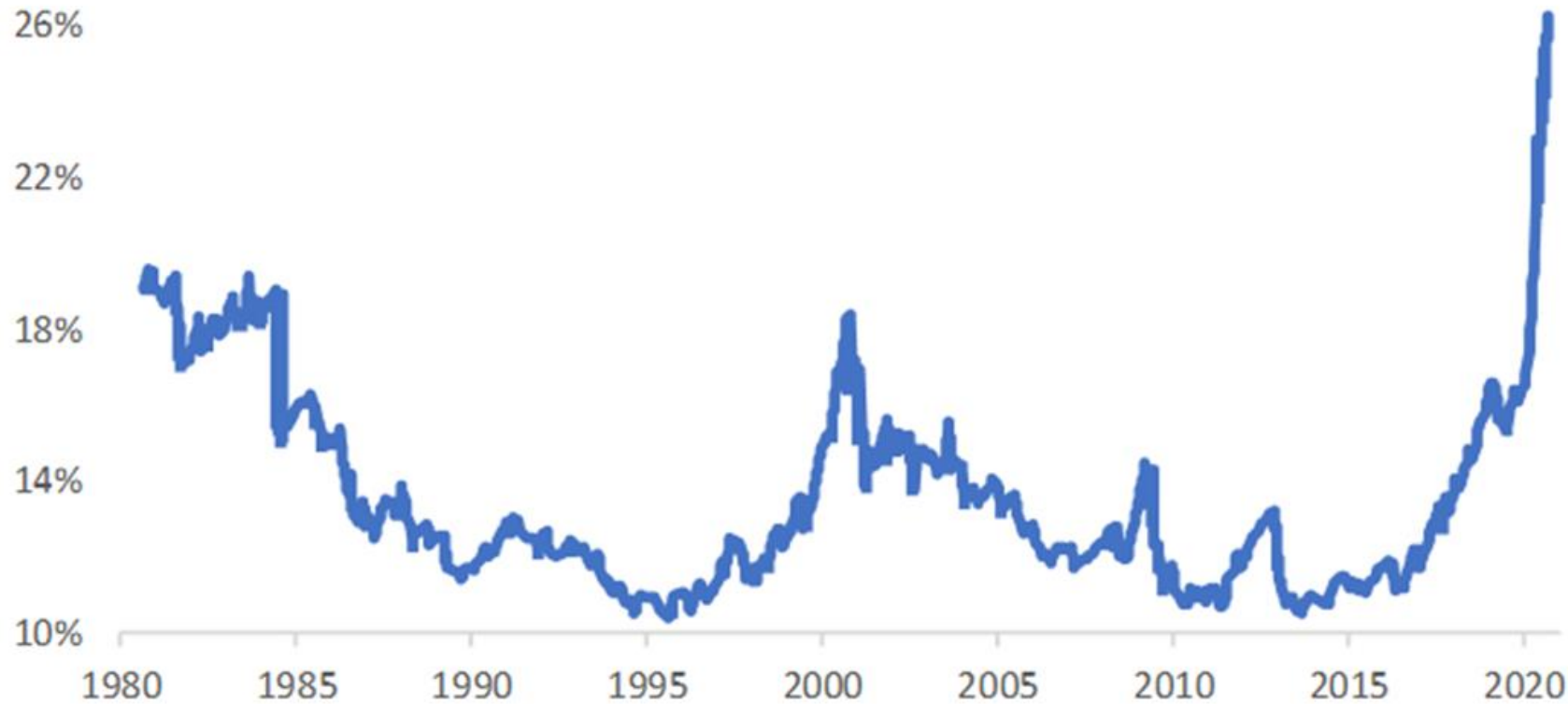
STARTUPS AREN'T SUCCEEDING



Source: Federal Reserve Board, Bloomberg

...LEADING TO HISTORICAL MARKET CONCENTRATION

Market cap of 5 largest S&P500 companies, expressed as % of index



THE FANG TAX

40c of every US\$ raised in venture funding is spent on Google, Facebook & Amazon.

Breaking these companies up would effectively have same impact as a tax cut



ANTITRUST WILL LEAD TO VALUE CREATION!



WhatsApp (Facebook)

65bn messages sent everyday

Essentially unmonetized



AWS (Amazon)

Growing at 30% pa

40% market share

AMZN trades at 4.5x sales

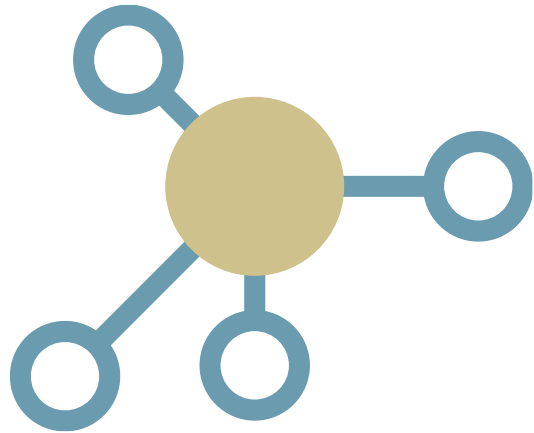


Google Cloud

Google Cloud (Alphabet)

45% YoY revenue growth

Alphabet trades at 6.5x sales



Outcome

- Buy weak sentiment
- ✓ **OWN:** Facebook, Alphabet, Amazon
- × **AVOID:** SaaS stocks trading at 30x-plus sales

WRAPPING IT UP

>> **Tech's outperformance is justified**

Should continue to outperform over long term

Avoid current instances of overenthusiasm

ZIRP having noticeable impact on some valuations

>> **Cyclical end of market pricing in continued pain**

Stimulus & inflation will be the inevitable catalysts here

This is where the opportunity lies!

>> **Regulatory developments will yield opportunities**

Antitrust measures likely to unlock shareholder value

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