

VGI Partners Global Investments Limited (ASX: VG1)

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Welcome

Brendan O'Connor
CEO, Regal Partners



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Speakers



Philip King

Co-Founder &
Chief Investment Officer
Regal

Philip is widely recognised as one of the pioneers of the Australian alternative investment industry, having managed absolute return vehicles at Regal for over 17 years. In 2019, Philip was inducted into the Australian Fund Managers Hall of Fame.

He holds a Bachelor of Commerce (Honours) from the University of New South Wales.



Marco Anselmi

Portfolio Manager
VGI Partners

Marco has 10 years' experience as a portfolio manager and analyst focused on global equities coverage at VGI Partners, where he started his career in funds management. Marco holds a Bachelor of Finance and Economics (Honours) from the University of Sydney. He is a CFA Charter Holder.



Simon Birrell

Portfolio Manager
VGI Partners

Simon has over 15 years' experience as an investment manager and analyst focused on global equities and private equity. He has worked at firms including Antipodes, Manikay Partners, and Crescent Capital Partners. While at Crescent Capital Partners, he was a Board representative for National Hearing Care and Cover-More Insurance. Simon holds a Bachelor of Commerce (Finance) & Property and Construction (Property Markets) from the University of Melbourne and is a Graduate of the AICD Company Directors Course.

Market update – key takeaways

1

Equity markets remain driven by moves in bond yields

2

Despite higher interest rates, corporate earnings have remained broadly resilient

3

Equity risk premiums have declined further, suggesting equity markets may be fully valued in aggregate. Select opportunities continue to exist beneath the surface

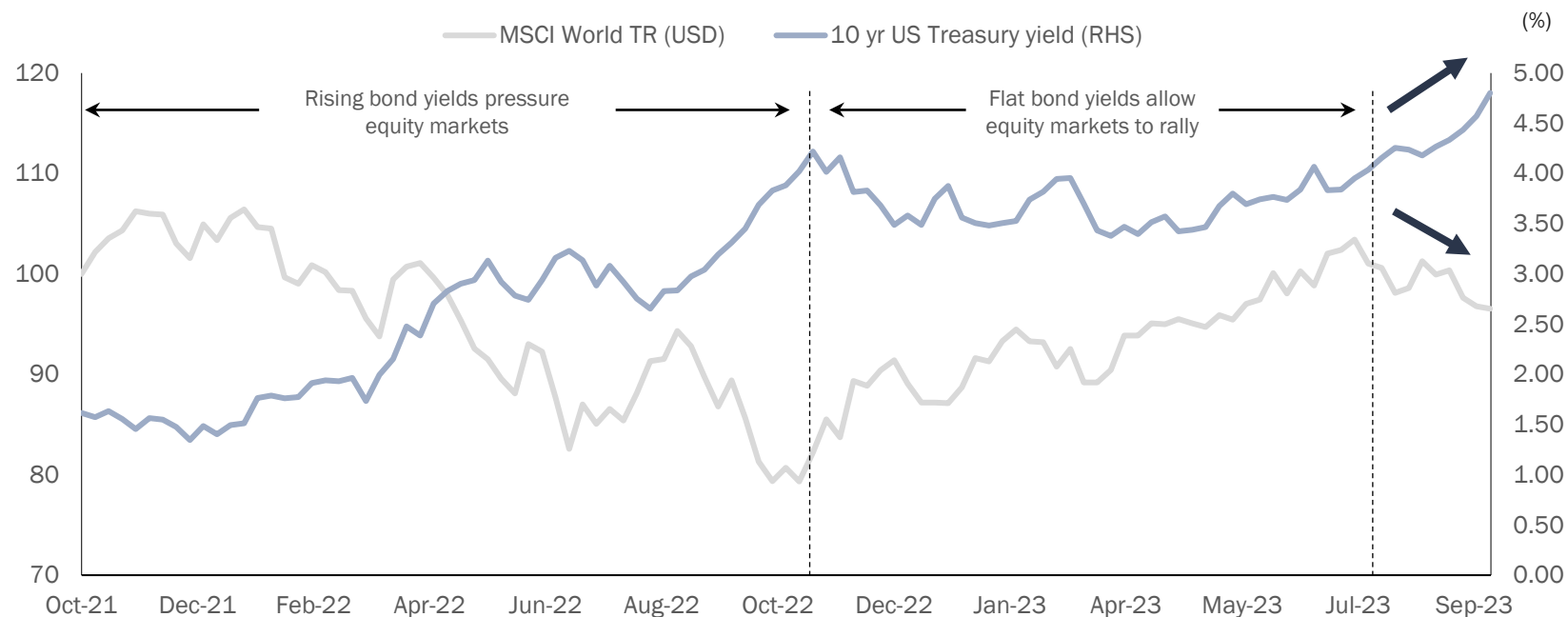
Recent rise in US 10 yr Treasury yields put into context

10-Yr US Treasury Yields Over The Last 50 Years

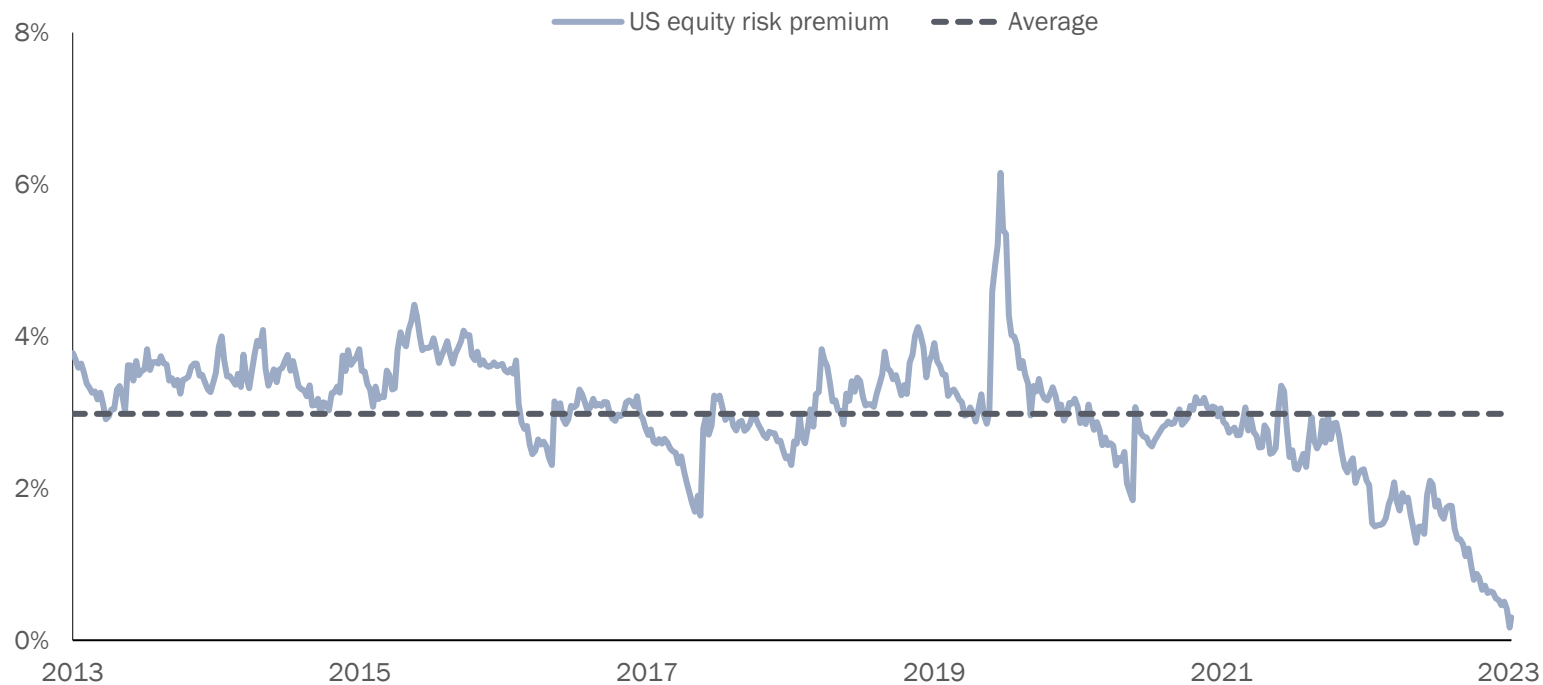


Increasing bond yields have placed further pressure on equity markets

MSCI World Total Return (USD) Vs. 10 Yr US Treasury Yield

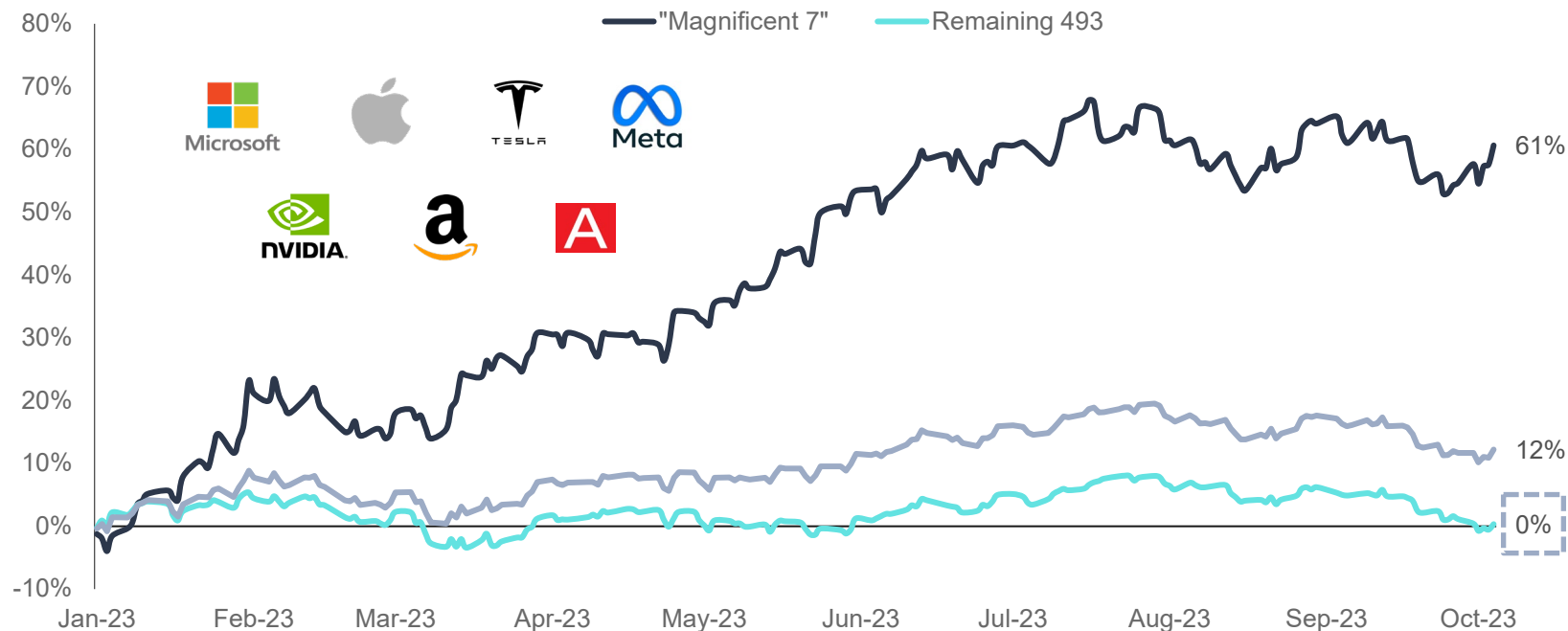


US equities looking increasingly expensive vs bonds



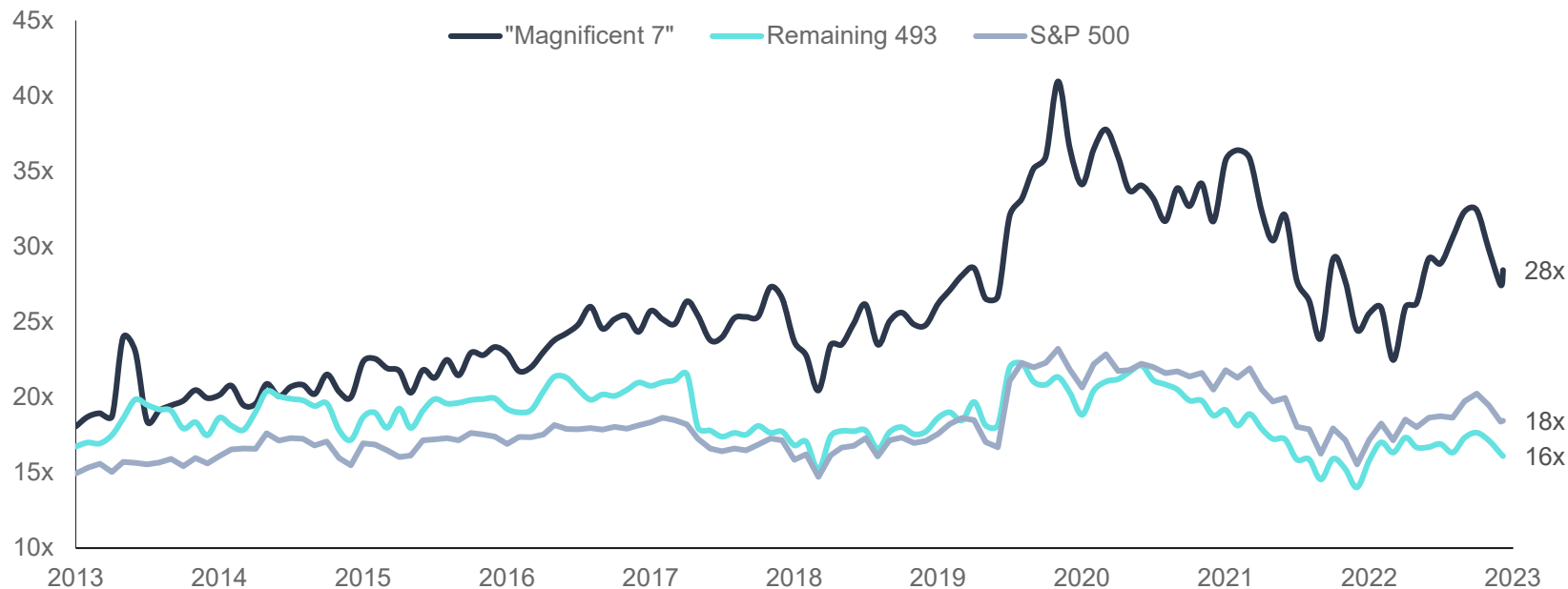
Source: Bloomberg as at October 2023. Past performance is not a reliable indicator of future performance.

S&P 500's YTD gains have been driven by mega cap US technology stocks



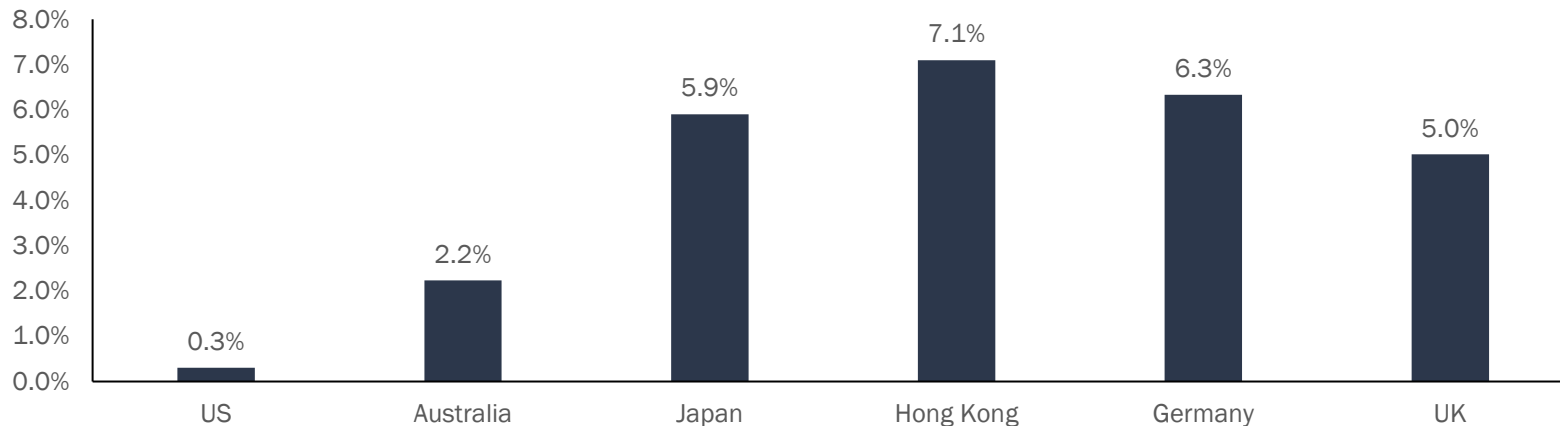
Source: Bloomberg as at October 2023. "Magnificent 7" includes Apple, Microsoft, Alphabet, Amazon, NVIDIA, Tesla and Meta. Past performance is not a reliable indicator of future performance. The company symbols trademark, copyright, & other intellectual property rights are & remain the property of their respective owners.

S&P 500 trades on 18x P/E in aggregate but 16x excluding the “Magnificent 7”



Source: Bloomberg as at October 2023 (monthly data). Magnificent 7 include Apple, Microsoft, Alphabet, Amazon, NVIDIA, Tesla and Meta. Magnificent 7 and remaining 493 companies' 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.

Equity risk premia by country

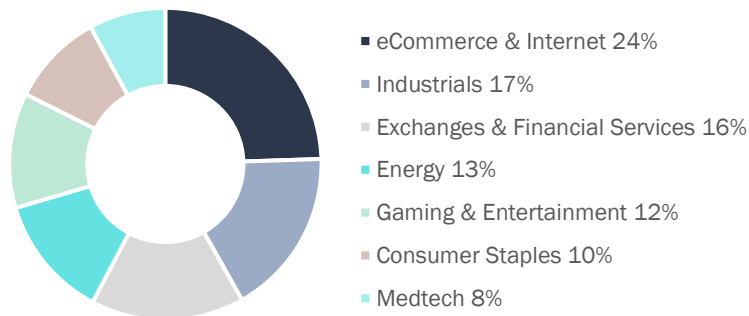


P/E	20.2x	15.0x	15.0x	8.9x	11.0x	10.5x
Corporate earnings yield	5.0%	6.7%	6.7%	11.3%	9.1%	9.5%
10 year government yield	4.7%	4.5%	0.8%	4.2%	2.8%	4.5%
Equity risk premium	0.3%	2.2%	5.9%	7.1%	6.3%	5.0%

VG1 Portfolio Exposure¹

20 October 2023 Exposures ¹	
Long Equity Exposure	98%
Short Equity Exposure	(45%)
Net Equity Exposure	53%

Long Portfolio by Sector¹



VG1 Portfolio Contributors Calendar YTD¹

Long Contributors to Net Portfolio Return



AMZN US

 **CME Group**

CME US

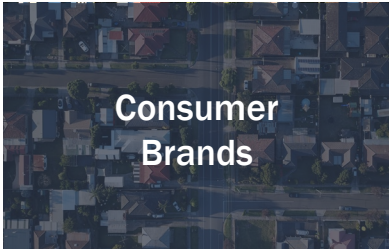
 **RHEINMETALL**

RHM GY

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SPOT US

Short Contributors (Sector)



Consumer
Brands



Unprofitable
Tech



Retailers

Long Investments - What Are We Looking For?

Camouflaged Quality

Hidden Asset

De-mutualisations

Key misunderstanding of the business drivers

Spin-offs

Low-risk turnarounds

Business model transition

Quality

Network effects

Scale economics

Mispriced compounders

Software – Vertical and Horizontal

Dominant consumer brands

Liquidity pools

Picks & shovels

Liquidity Pools

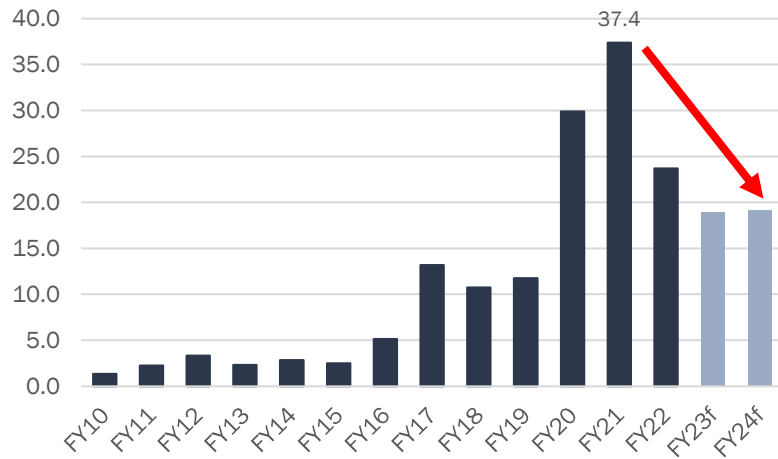


- CME operates futures and derivatives exchanges, alongside ownership of other key assets related to FX trading and a strategic shareholding in the Standard and Poor's (S&P) Index business.
- The business has an effective monopoly in exchange trading of interest rate derivatives in the United States and benchmark products across the entirety of the interest rate curve
- The increased focus by market participants on interest rate moves and hedging these risks is a core driver of business growth

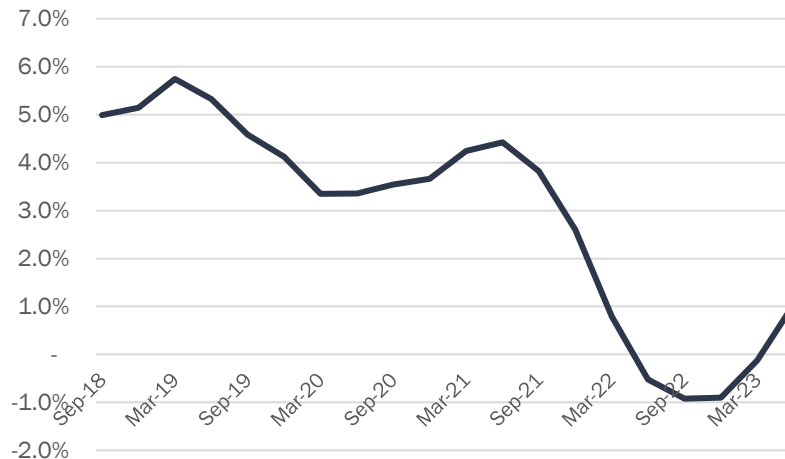
CME – Key Drivers



Amazon – North America Capex (US\$bn)



Amazon – North American Operating Margin (%)



Scale Economics



- Continue to see upside as North American retail profitability improves and AWS growth inflects
- After significant period of capacity investment, North American retail business is lowering cost per unit and margins are inflecting

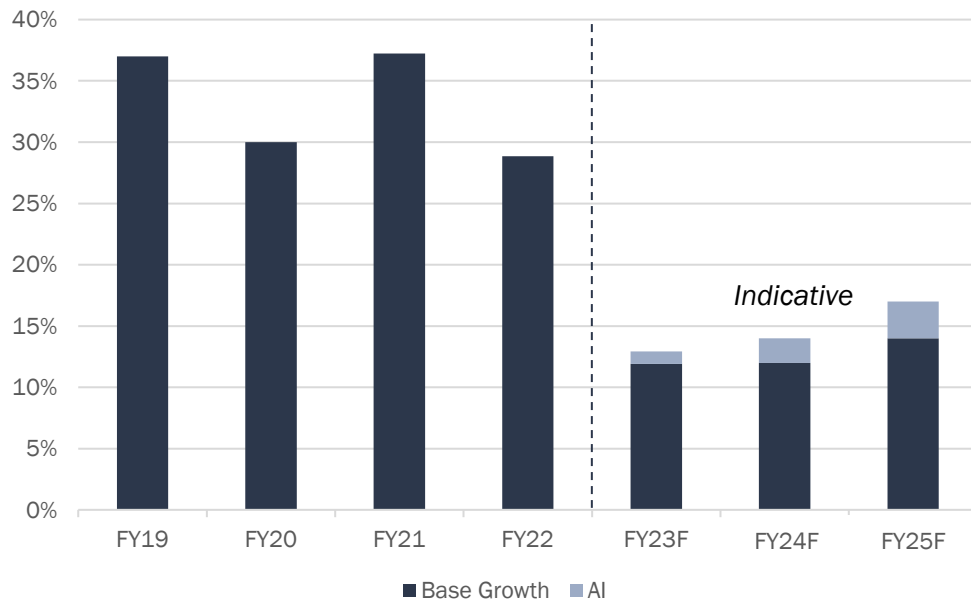
Scale Economics



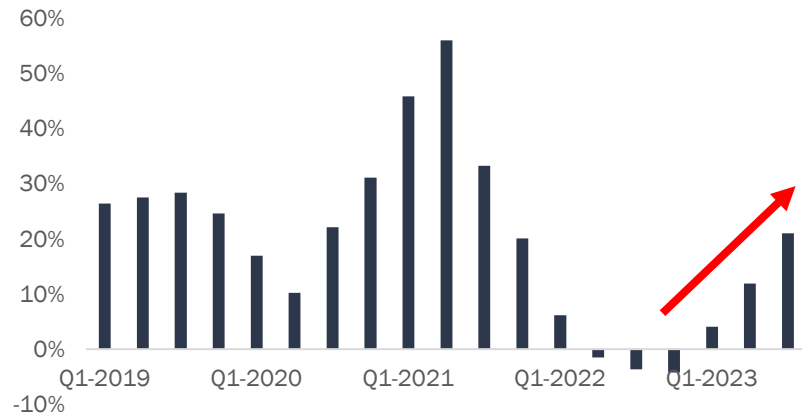
- Amazon, through AWS, is a leader in cloud services. Growth will normalise after a period of industry optimisation
- AI-related investments across the economy are providing a tailwind for cloud computing providers over the coming decades, given requirement for significant cloud computing resources for both training and inference
- The business has made further investments into AI services through ANTHROPIC

ANTHROPIC

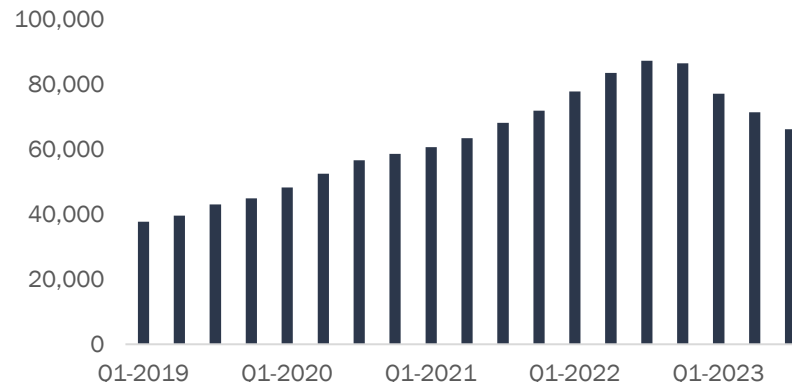
Amazon – Amazon Web Services Growth Rates (%)



Meta - Revenue Growth Acceleration



Meta - Cost control with recent employee reductions



Network Effects

- Temporary headwinds abating (macro, Apple IDFA)
- New monetization ramping (Reels, click-to-message ads)
- Engagement growth

- Cost control remains a key focus, leading to strong earnings growth as revenue growth accelerates

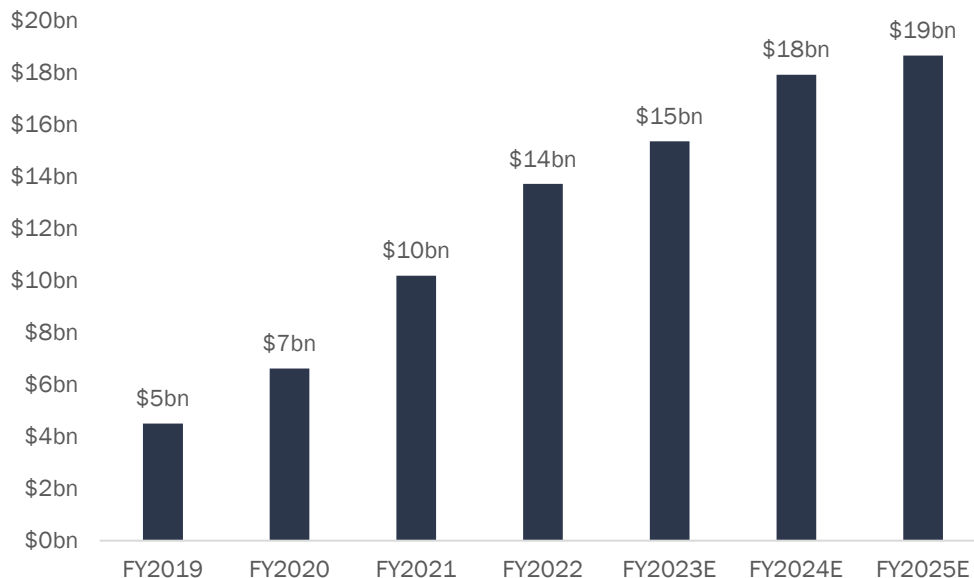


Network Effects



- › Continues to fight off competitive threats
- › Under-appreciated AI initiatives (recommendation engine, Advantage+, Llama 2)
- › Business is still losing ~US\$20bn/year on Metaverse projects, hiding underlying earnings power
 - › Given effectively no benefit for these investments

Meta - Earnings power masked by aggressive spend on 'metaverse' projects (US\$20bn/year)

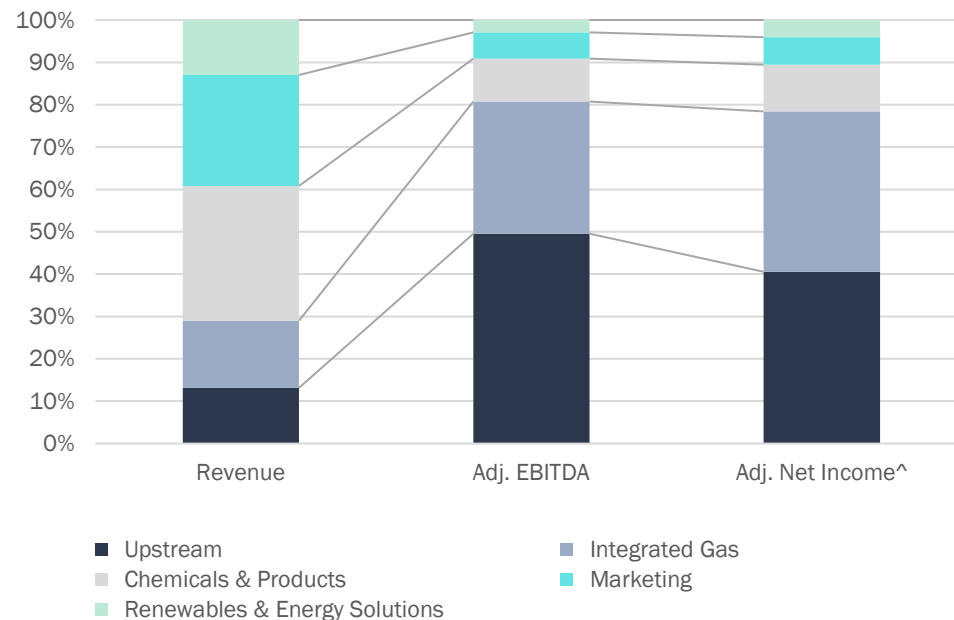


Business Model Transition



- World leader in Liquid Natural Gas (LNG), an important energy transition fuel
- New management have a capital returns focus
- Optimising portfolio after a long period of questionable capital allocation
- Divestments have provided a conservative balance sheet and positioned the company for strong shareholder returns in future
- Restoring dividend levels after cut in 2020
- Buybacks and dividends combine for ~10% distribution yield in FY23

Royal Dutch Shell – Divisions FY22



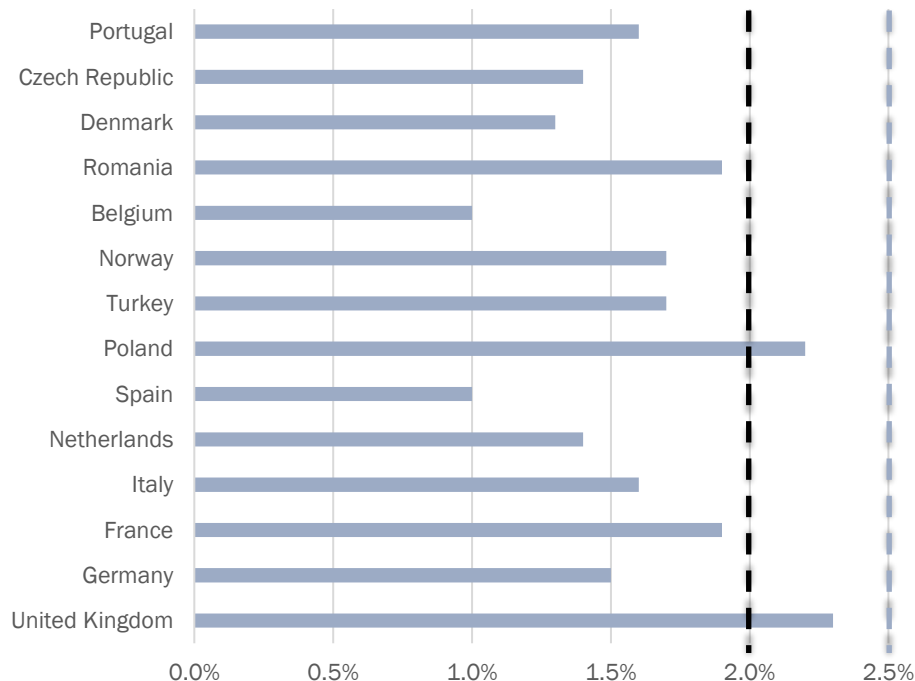
Mispriced Compounders

- Geopolitical tensions have created a renewed willingness to invest in defence capabilities, with NATO signatories set to significantly increase spend in the coming years to 2% of GDP and beyond, in line with treaty commitments
- Well positioned defence companies will participate in uplift in spending



L3HARRIS™

Defence Spend as a % of GDP



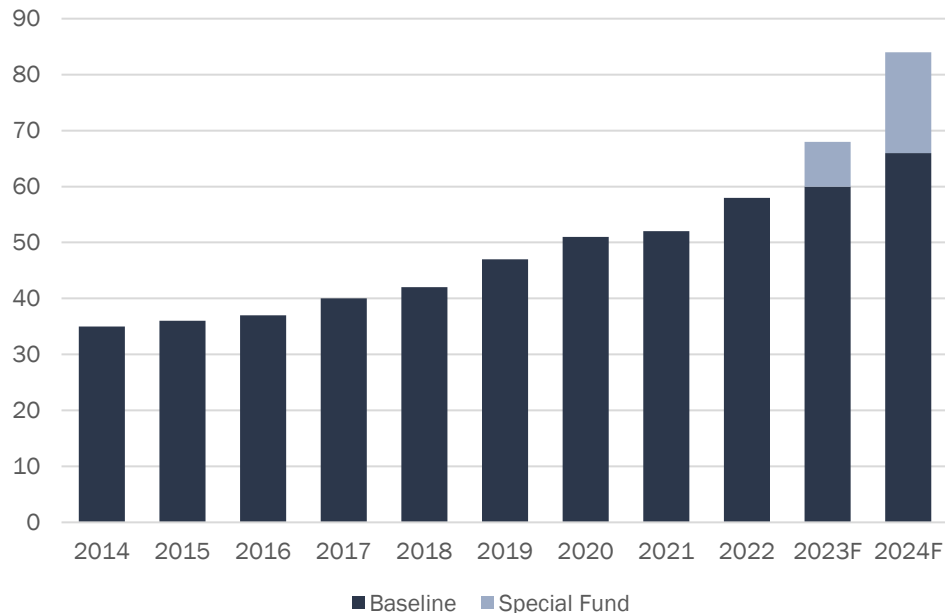
Mispriced Compounders

- German defence budget change and subsequent contract awards are indicative of spending increases across NATO
- Whilst defence spending grew at a 6% CAGR from 2014-21, this will accelerate to a 17% CAGR from 2021 to 2024
- Significant majority of the increase in spend is for new equipment to re-stock depleted reserves



L3HARRIS™

German Defence Budget €Bn



Short Investments - What Are We Looking For?

Structural Losers

Red Flags

Irrational Extrapolation

Fad FinTech

AI Hype

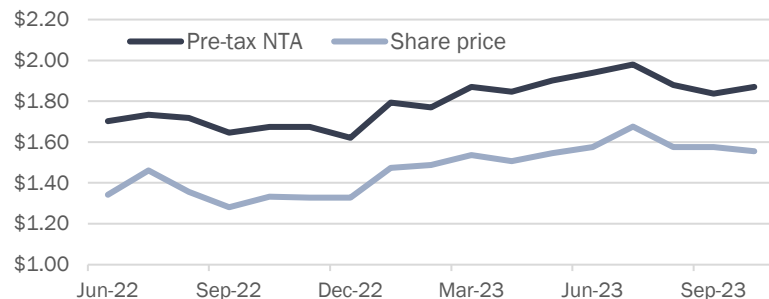
Chemicals Co

Consumer Brand 1 & 2

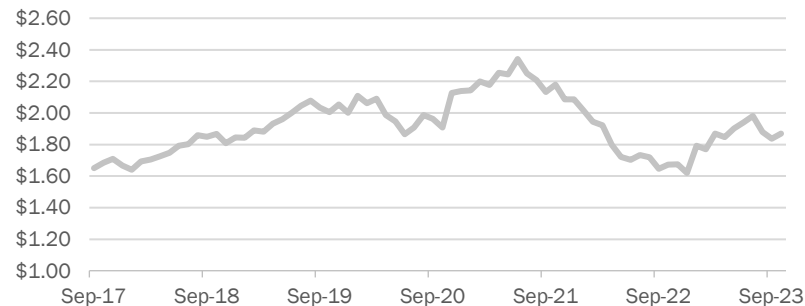
Energy Co

"Science Experiments"

VG1 Net Portfolio and Share Price Return since Merger¹



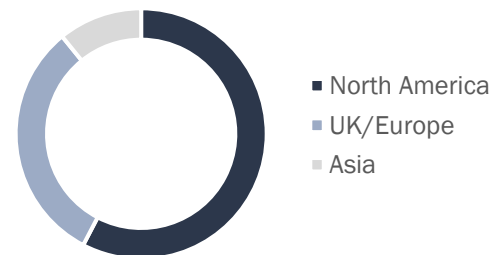
Net Portfolio Return Since Inception²



Top 10 Portfolio Holdings



Long Portfolio by Location³



Source: Citco Fund Services, VGI Partners, Bloomberg. Past performance is not indicative of future performance. Net portfolio return is pre-tax NTA per share adjusted for dividends and VG1's entitlement offer in 2019. 1. Merger relates to that between VGI Partners and Regal Funds Management, forming Regal Partners Limited, the manager of VG1. Proxied by monthly returns from 1 July 2022 to 30 Sep 2023 and indicative intra-month data to 20 October 2023. 2. The net portfolio intra-month return for the month of October 2023 (to 20 October 2023) is indicative. 3. Asia includes ASX-listed securities.

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)
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%

