

EVANS & PARTNERS

**GLOBAL  
DISRUPTION  
FUND**

**Evans & Partners Global  
Disruption Fund**

May 2018

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# Agenda

**1** Overview

**2** Investment process

**3** Portfolio & performance

**4** Disruption themes



# 1 Overview

# Why invest in Disruption

1. Today's largest companies globally are tech related and all have disrupted significantly over the last decade.
2. The old world companies that are not re-inventing themselves are facing massive penalties in market share, in share price and in profitability.
3. The society changes in:
  - Communication
  - Media
  - Healthcare
  - Transport
  - Retail

These are all generational changes, that we all must embrace, not just as fads but as investment thematics that will drive and influence portfolio performance.

4. Capital continues to flow into research and development to ensure new technologies and new ideas for businesses are destined to find traction for investors.

# Evans & Partners Global Disruption Fund

Aims to invest in companies with the following characteristics...

**Proven abilities to disrupt, and potential to continue to disrupt**

**The ability to utilise new technology to disrupt existing industries**

**Demonstrated growth potential and scalability**

**An appropriate capital structure to fund research and development**



## 2 Investment process

# Investment Committee

Highly experienced corporate executives



**David Evans  
(Chair)**



**Richard Goyder**



**Paul Bassat**



**Raymond Tong –  
Portfolio consultant**



**David Thodey**



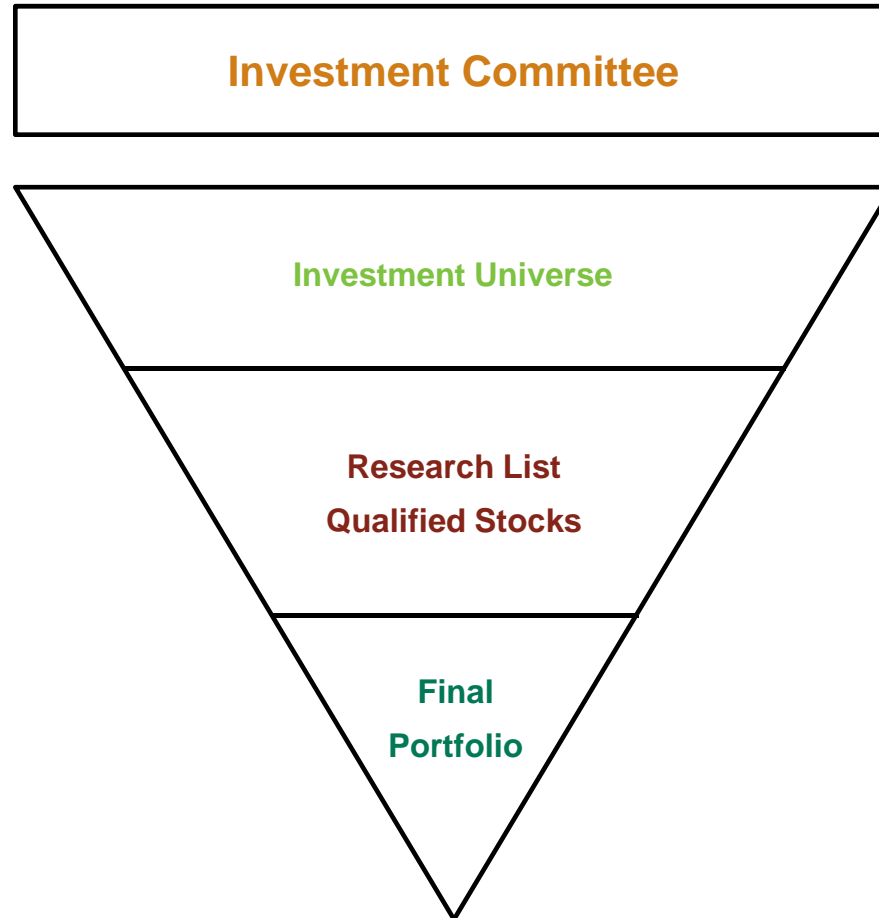
**Sally Herman**



**Jeffrey Cole**



# Portfolio investment process, quantitative metrics



## Quantitative metrics used:

- EBITDA
- P/E
- EV/EBITDA
- EV/FCF
- EV/Sales
- Sales (Growth)
- EPS
- FCF
- ND/EBITDA

## Number of stocks:

80

30-40

15-20

# Portfolio investment process, qualitative factors

Companies are assessed against key criteria which may include...

1. Competitive advantage and meaningful barriers to entry
2. Growth potential
3. Management team capability and depth
4. Corporate strategy
5. Balance sheet strength and cash flow generation capacity
6. Attractive valuations relative to price

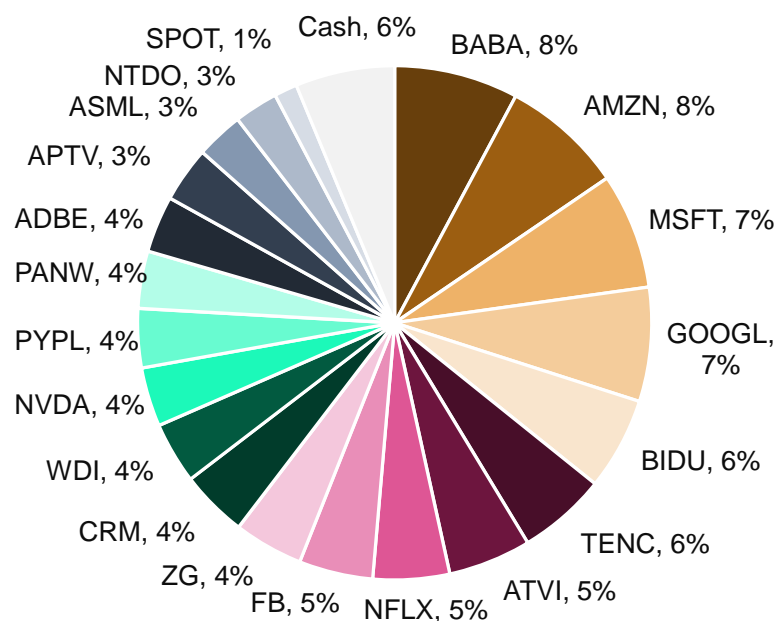
# 3 Portfolio & performance



# Evans & Partners Global Disruption Fund Portfolio

## May 2018

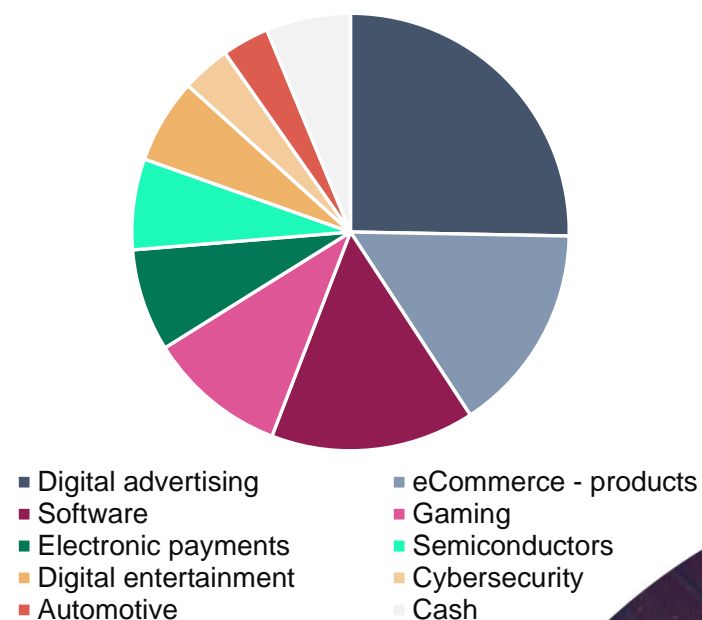
EGD portfolio holdings May-18\*



Source: Evans and Partners Investment Management Pty Ltd








\* Holdings data as at 10-May-18; percentages may not add due to rounding

EGD portfolio holdings May-18\*



Note: Exposure based on last financial year segment revenue

# Recent portfolio changes

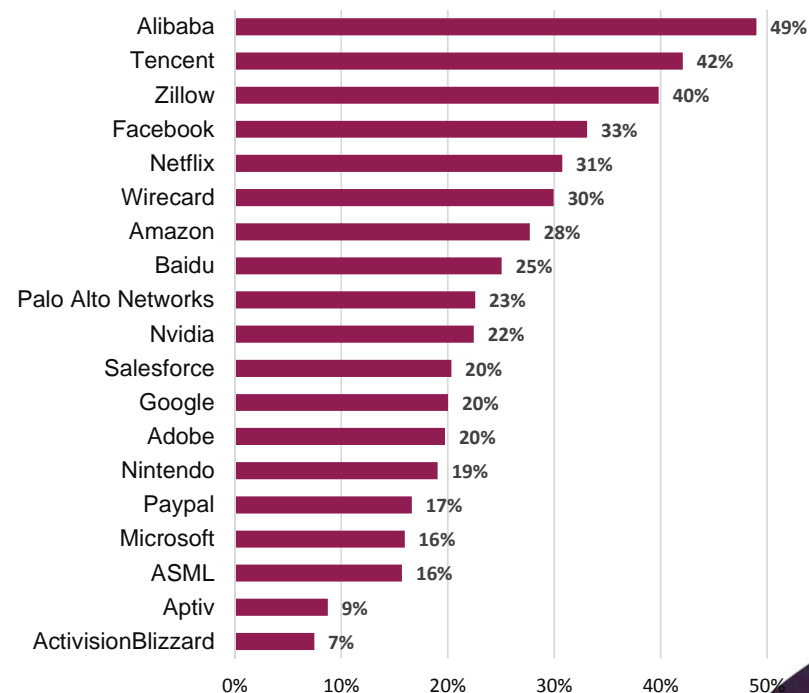
Additions	Our thinking	Disposals	Our thinking
	<ul style="list-style-type: none"> <li>Exposure to multiple growth themes: digital transformation, mobile, online video, digital marketing</li> </ul>		<ul style="list-style-type: none"> <li>Business mix has shifted to lower margin e-commerce from higher margin mobile gaming</li> <li>Higher levels of investment also impacting margins</li> </ul>
	<ul style="list-style-type: none"> <li>Market leader in CRM</li> <li>Exposed to secular demand growth for software to optimise digital interactions with customers</li> </ul>		<ul style="list-style-type: none"> <li>Softer demand for high-end smartphones expected to impact growth outlook for mobile chipsets</li> </ul>
	<ul style="list-style-type: none"> <li>Market leader in GPU processors and software</li> <li>Exposed to multiple growth markets: Gaming, Data Centres, AVs, and Crypto</li> </ul>		<ul style="list-style-type: none"> <li>Apple remains a high quality company, but we believe there are more attractive growth opportunities</li> <li>iPhone sales softer than expectations at 2Q18 result</li> </ul>
	<ul style="list-style-type: none"> <li>Largest music streaming platform globally by paid users</li> <li>Leveraging AI to uniquely tailor user experience</li> </ul>		<ul style="list-style-type: none"> <li>Services and other hardware growing but AAPL remains reliant on iPhone growth which accounts for &gt;60% of revenue base</li> </ul>



# EGD portfolio valuation overview

Company	Country	Market Cap (USDm)	PER		EV/EBITDA	
			FY+1	FY+2	FY+1	FY+2
<b>Semiconductors:</b>						
ASML	Netherlands	87,400	29.1x	23.4x	21.5x	18.3x
Nvidia	United States	155,013	33.0x	29.9x	27.3x	23.7x
<b>Software / services:</b>						
Microsoft	United States	753,184	25.6x	24.3x	15.5x	13.4x
Adobe	United States	117,390	36.9x	32.5x	28.3x	23.0x
Salesforce.com	United States	94,804	59.6x	47.1x	30.5x	24.6x
<b>Cybersecurity:</b>						
Palo Alto Networks	United States	18,379	51.5x	41.2x	29.8x	22.4x
<b>Automotive:</b>						
Aptiv	United Kingdom	25,344	17.8x	16.1x	11.6x	10.6x
<b>Social / media / advertising:</b>						
Alphabet	United States	714,410	26.9x	22.9x	13.4x	10.8x
Facebook	United States	447,676	22.7x	19.0x	14.0x	11.0x
Netflix	United States	142,810	99.4x	60.6x	71.4x	47.4x
Baidu	China	75,340	26.1x	21.7x	17.5x	13.5x
Tencent	China	498,582	38.7x	29.5x	25.4x	19.0x
Spotify	Luxembourg	28,499	nm	nm	nm	nm
<b>eCommerce/Cloud:</b>						
Amazon	United States	777,110	75.2x	52.8x	25.9x	19.3x
Alibaba	China	510,401	30.5x	23.0x	21.8x	16.2x
<b>Payments:</b>						
Paypal	United States	93,578	33.8x	27.9x	20.2x	16.3x
Wirecard	Germany	18,161	41.9x	32.4x	26.9x	20.6x
<b>Gaming:</b>						
Activision Blizzard	United States	54,578	27.6x	24.0x	18.6x	15.0x
Nintendo	Japan	59,383	24.8x	19.1x	18.0x	13.9x
<b>Real estate:</b>						
Zillow	United States	10,186	80.9x	54.7x	36.4x	27.1x

## 2yr Forward Revenue CAGR (%)



Source: Investment Manager, 14-May-18



# Fund Performance

	1 month	3 month	6 month	1 year	3 years	5 years	Since inception
Unit price (%)	2.6%	2.1%	8.9%	N/A	N/A	N/A	22.5%
NTA <sup>1</sup> (%)	3.2%	3.2%	10.4%	N/A	N/A	N/A	23.2%
NTA <sup>1</sup> in USD <sup>2</sup> (%)	1.2%	-3.5%	8.6%	N/A	N/A	N/A	16.9%
MSCI All Countries World Index (AUD) <sup>3</sup>	2.6%	1.5%	5.2%	N/A	N/A	N/A	12.9%

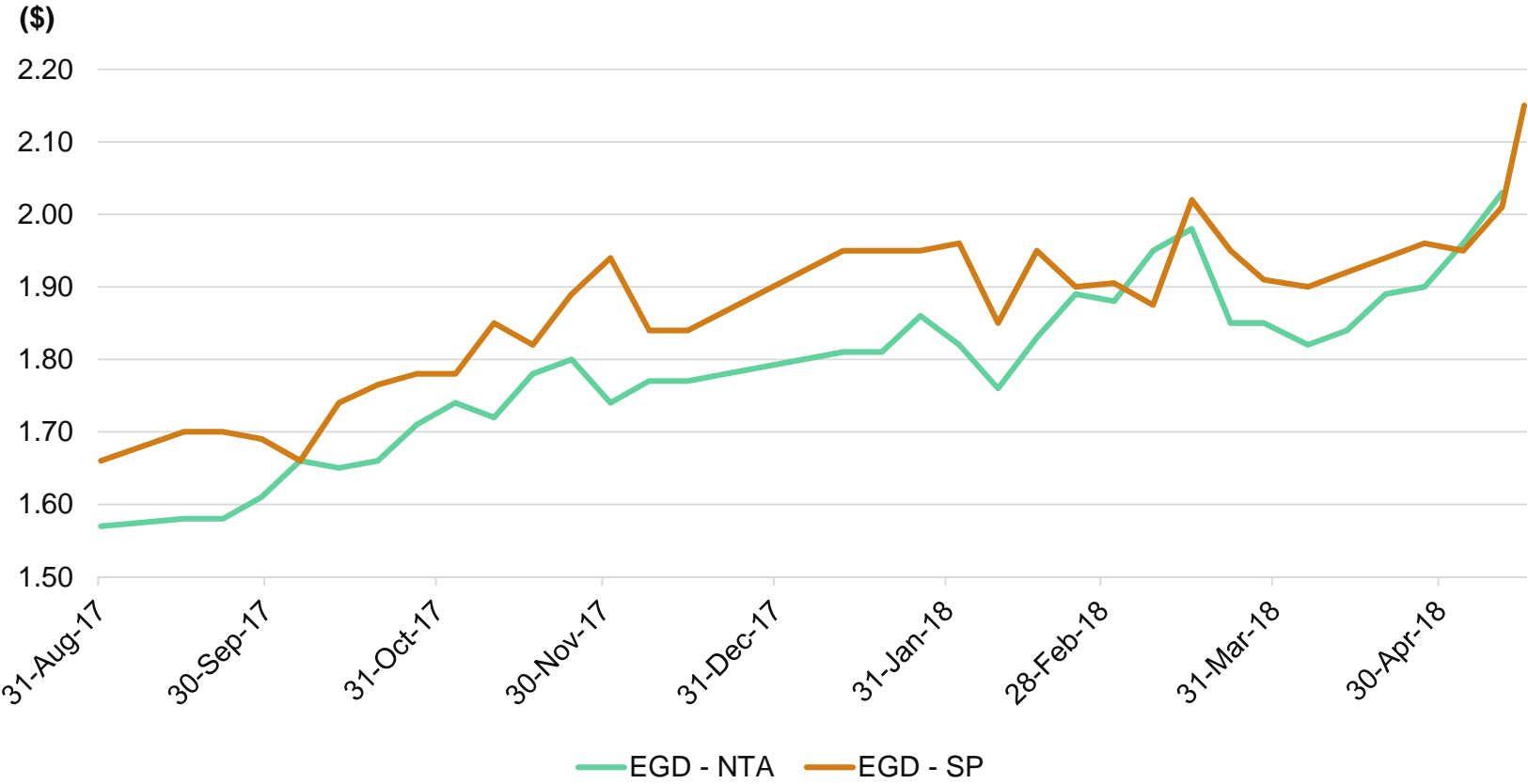
\* As at 30<sup>th</sup> April 2018

## Notes

1. NTA performance numbers are total returns net of fees and costs
2. NTA in USD is converted by the month-end closing AUD/USD foreign exchange rate. Exchange rate source: Bloomberg
3. Inclusive of Net Dividends. Index source: Bloomberg, MSCI

Note: past performance is not a reliable indicator of future performance

# EGD Performance: unit price vs NTA



Note: past performance is not a reliable indicator of future performance



# 4 Disruption themes



# Technology advancements driving disruption

Technology advancements are expected to drive ongoing disruption

Increasing broadband speeds

Smartphones

Internet of things

Blockchain

Robotics

Artificial Intelligence

Cloud technology

# Existing and emerging disruptive themes

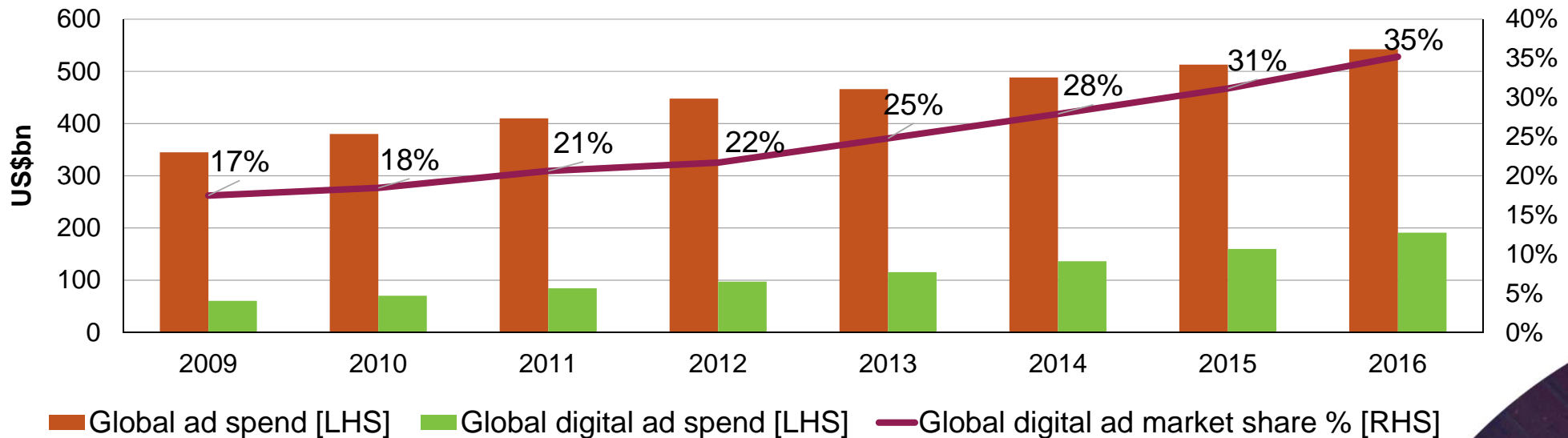
## Disruption reshaping multiple industries

<b>INDUSTRY</b>	<b>MEDIUM/DRIVER</b>	<b>DISRUPTOR</b>
Media	Digital advertising	Google, Facebook, Alibaba, Tencent, Baidu, Netflix
Gaming	Digital	Activision, Tencent, Nvidia
IT	Cloud	Amazon, Google, Microsoft, Alibaba
Retail	Ecommerce	Amazon, Alibaba, JD.com
Payments	Cashless transactions	Mastercard, Visa, PayPal, Tencent, Alibaba
Multiple	Artificial Intelligence	Amazon, Apple, Google, Baidu, Nvidia
Auto	Autonomous cars	Google, Baidu, Nvidia, Tesla

# Disruption of media

Digital advertising's significant impact on traditional media such as print and television is expected to continue

Global digital advertising spend vs global advertising spend



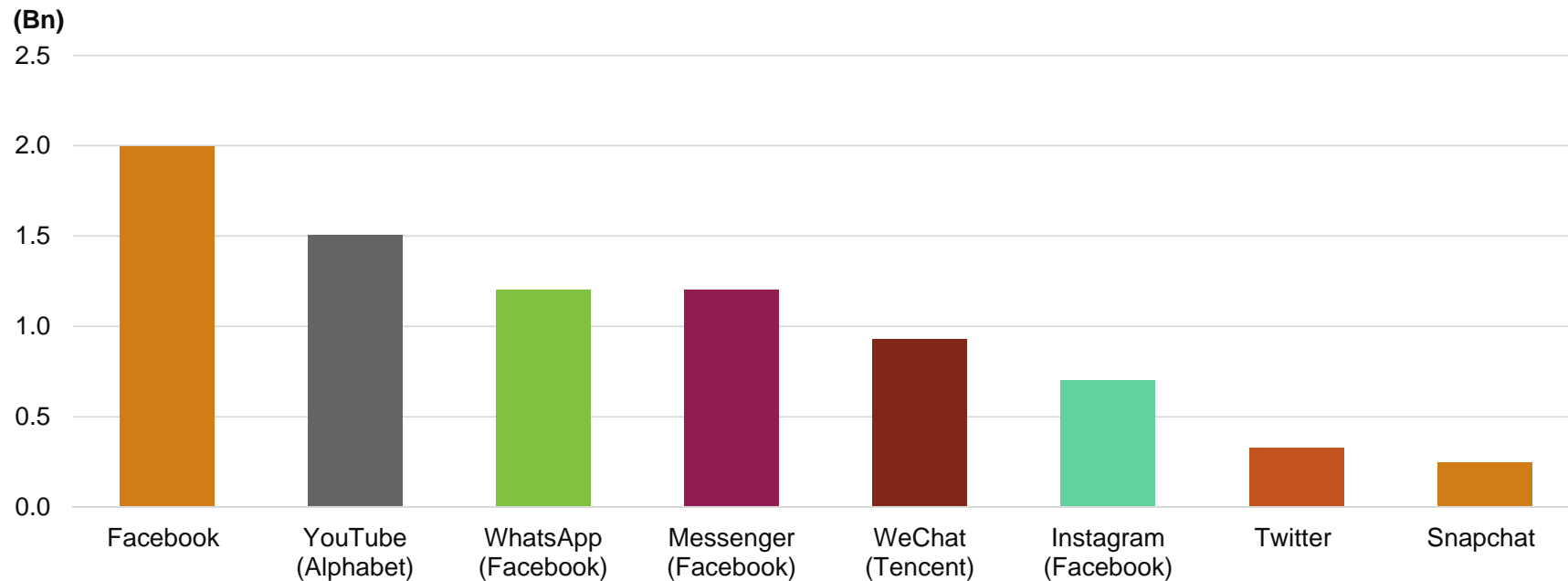
Source: Investment Manager



# Disruption of media

## Facebook owns 4 of the top 6 social media platforms

Number of MAUs across social media platforms

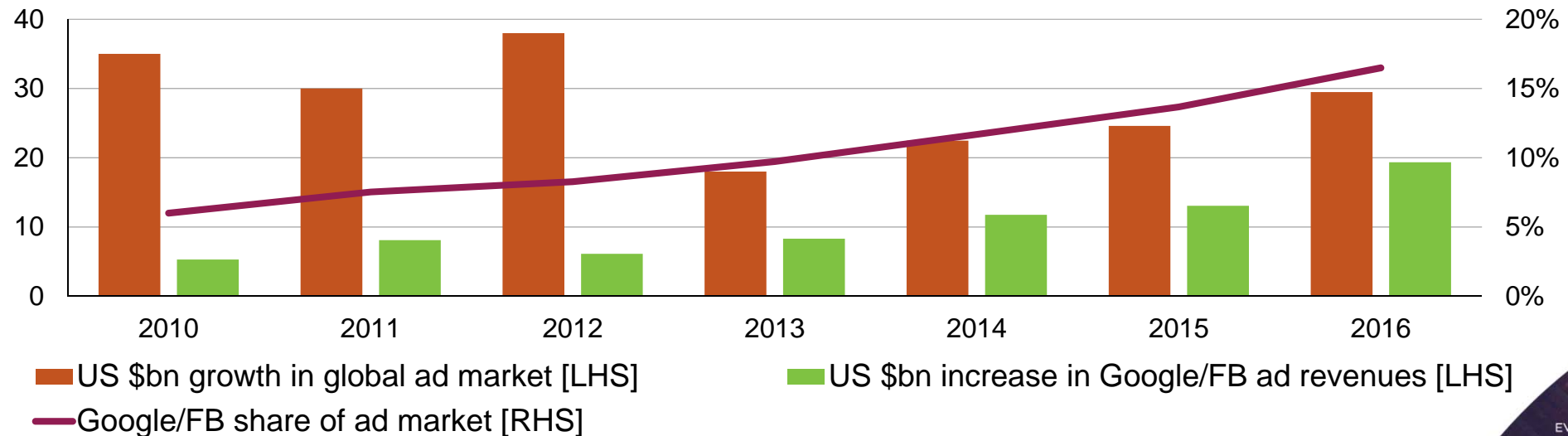


Source: Investment Manager

# Disruption of media

Google and Facebook have won approximately 60% of digital ad market growth from 2014-2016, taking their market share of the total advertising market to over 16%

## Share of global advertising market growth

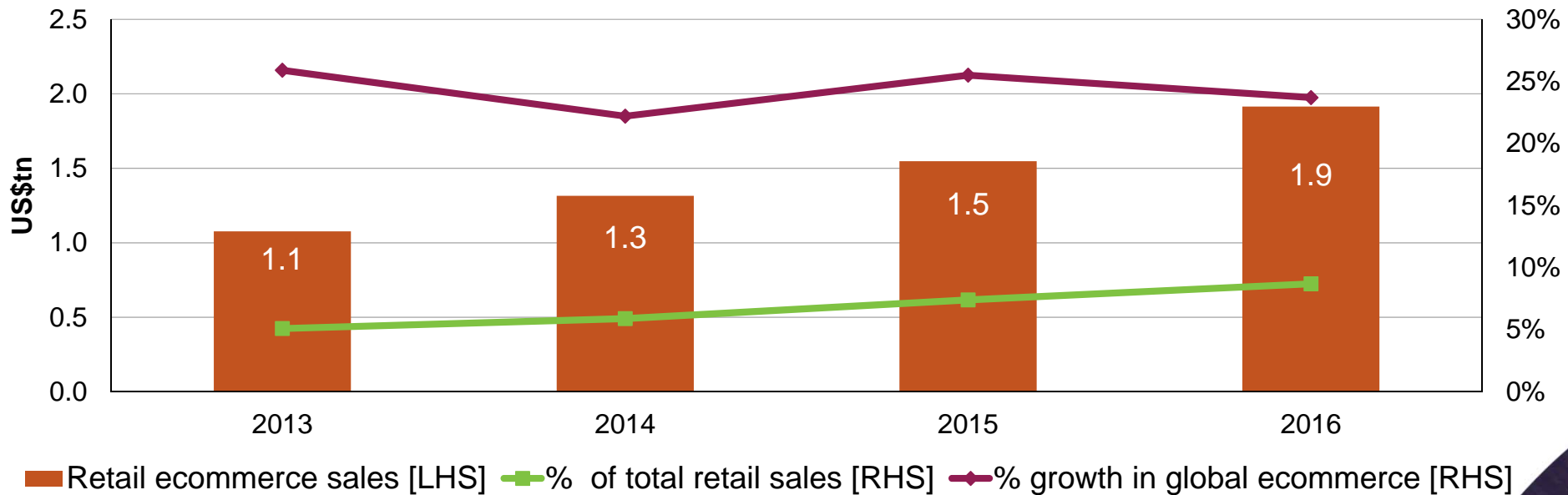


Source: Investment Manager

# Disruption of retail

## Growth in ecommerce sales

### Global retail ecommerce sales

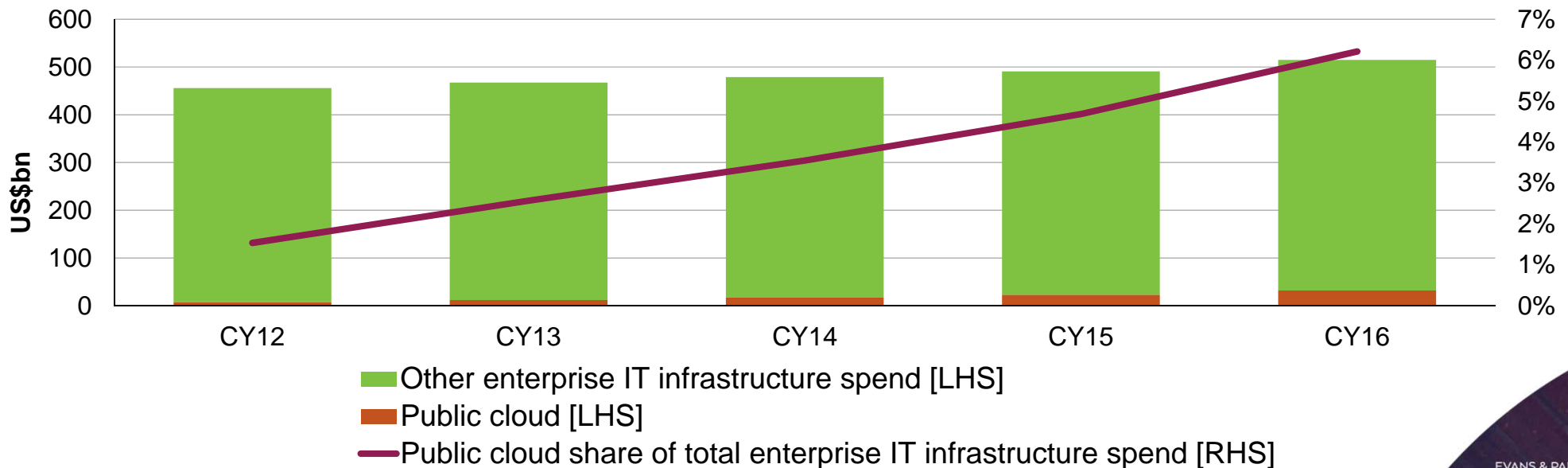


Source: Investment Manager

# Cloud computing

Cloud computing is in the early days of disrupting a US\$500bn market

Size of public cloud market vs total enterprise IT infrastructure spend



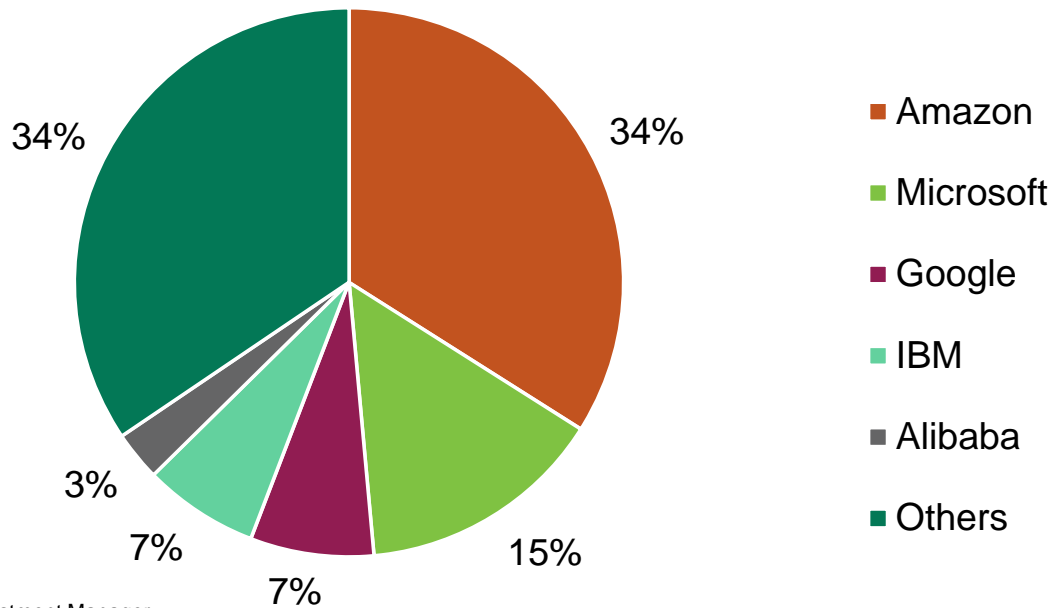
Source: Investment Manager



# Cloud computing

Amazon (AWS), Microsoft (Azure) and Google (Cloud) are key players in the cloud infrastructure market

Cloud infrastructure market share (2016)



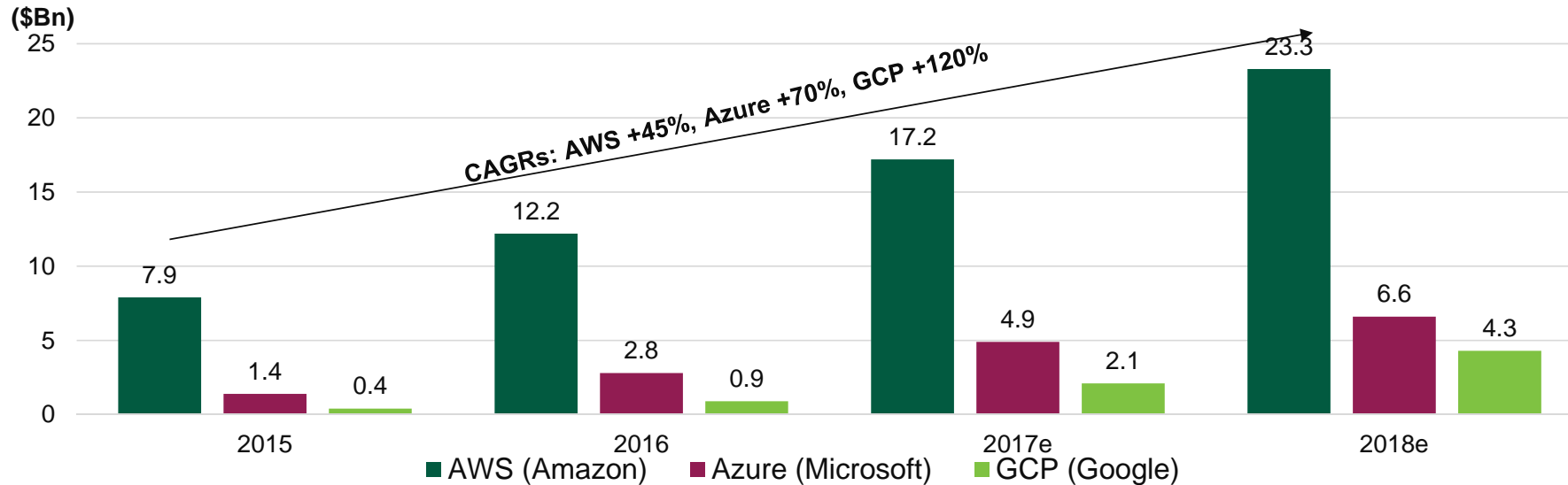
Source: Investment Manager

# Cloud computing

Amazon (AWS), Microsoft (Azure) and Google (Cloud) are key players in the cloud infrastructure market

Revenue trends: AWS leads, Azure + GCP growing quickly

Source: Evans and Partners



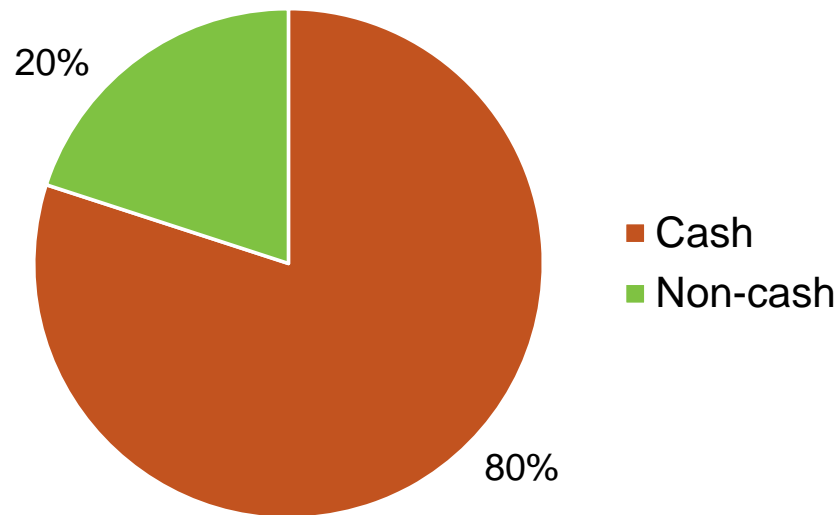
Source: Investment Manager

Note: past performance is not a reliable indicator of future performance

# Shift to cashless payments

Global transition away from cash presents a significant opportunity

Global consumer transaction by type (2016)



Source: Investment Manager

# Artificial Intelligence

## What is Artificial Intelligence (AI)?

- The science and engineering of making intelligent machines and computer programs
- Capable of learning and problem solving in ways that have typically required human intelligence

## AI already impacting our lives

- Online Search
- Virtual Personal Assistants
- Recommendation engines
- Facial recognition

## AI development is accelerating for reasons including

- Growth in amount of data created
- Faster and cheaper computing power
- Increasingly more capital being allocated to AI

## Implications for AI

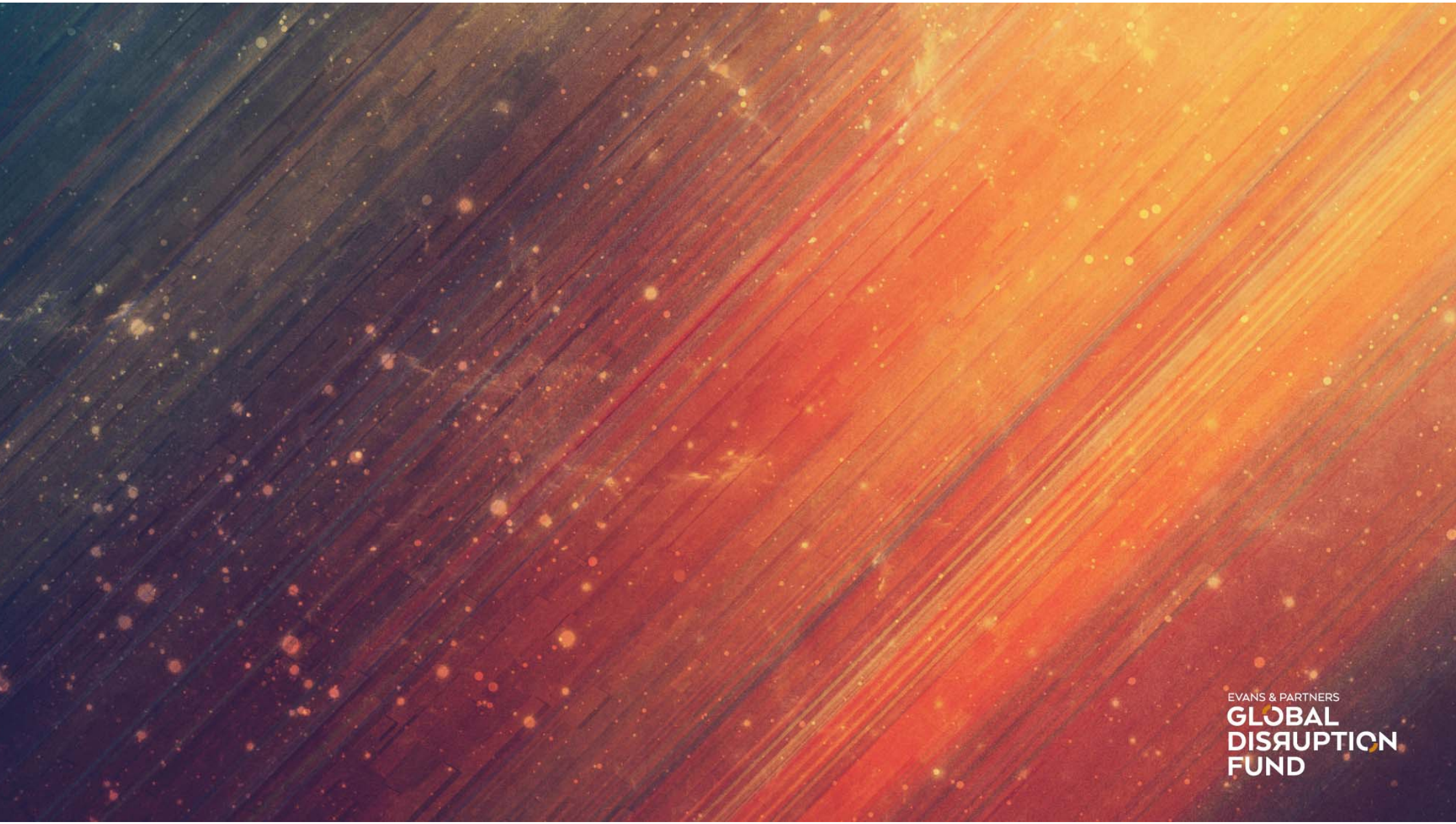
- Productivity growth
- Competitive advantage
- Reduce costs



# Artificial Intelligence

Artificial Intelligence has the potential to impact multiple industries

Industry	Potential benefits from Artificial Intelligence
Healthcare	Improved diagnoses, drug discovery, and decreasing procedural costs
Manufacturing	Efficiencies through development of robotics
Transportation	Using driverless car technology, including in public transport and courier solutions, potentially decreasing the risk of accidents, alleviating traffic congestion, and lowering energy costs
Finance	Faster and better analysis of data sets to improve execution and reduce costs
Retail	Image based product searches, predicting product demand and optimising pricing
Energy	Improved production reliability and consumption assessment



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