

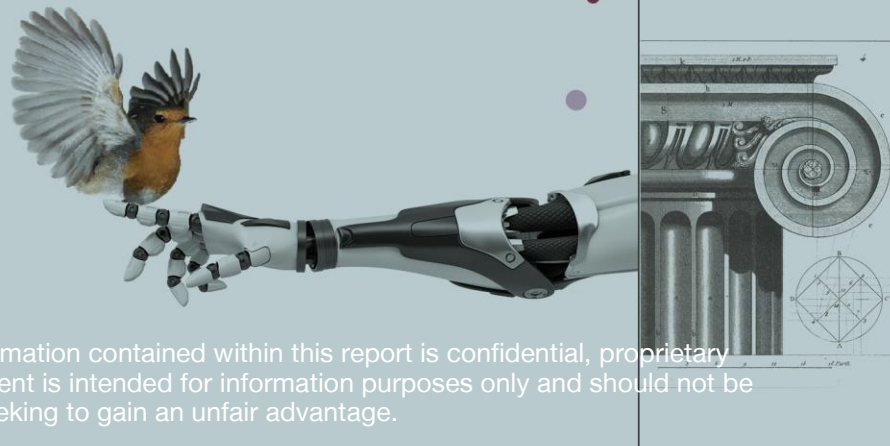
# Is there a place for growth equities in the current inflationary economic climate?

Tim Gooding and Amy Anderson. July 2022



*Global Alpha*

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**Energy prices soar**

**RUSSIA INVADES UKRAINE**

**STOCK MARKET CRASH**



**Debt levels rise**

**Worst cost of living crisis in decades**

**UK inflation climbs to a 30-year high**

***“How can you sit there,  
calmly eating muffins  
when we are in this  
horrible trouble,  
I can’t make out.  
You seem to be  
perfectly heartless...”***

Oscar Wilde, *The Importance of Being Earnest*





# The Global Alpha Paris-Aligned growth philosophy

## Belief

**Sustainable compound growth drives long-term wealth creation**

Number of holdings	70-120*
Investment time horizon	5 Years
Investment opportunity	Global
Style	Growth, unconstrained

\*Typical range, guideline only.

## Focus

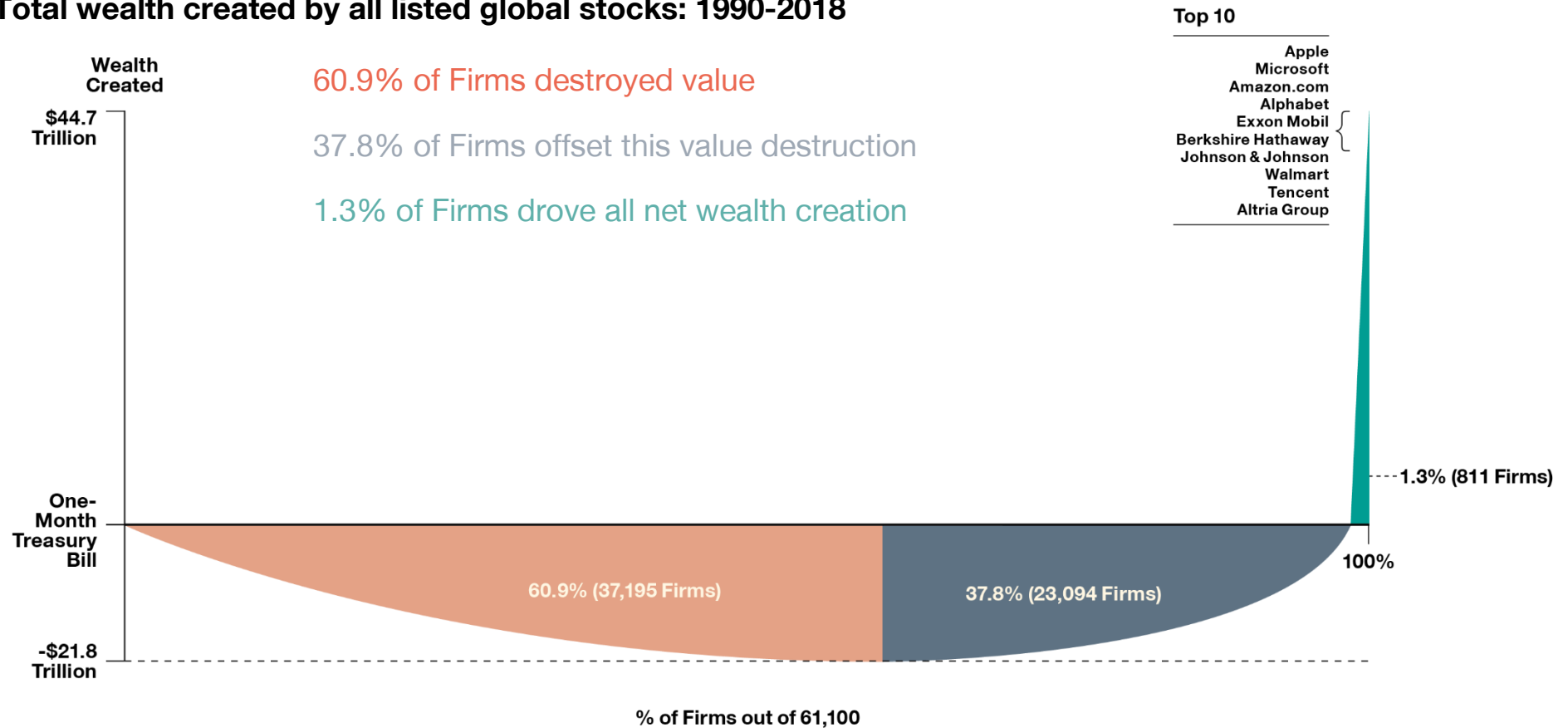
**Few companies meet our standards**

## Task

**Identification, patient ownership and growth-focussed stewardship**

# Intrinsic law 1 of stock market returns

## Total wealth created by all listed global stocks: 1990-2018



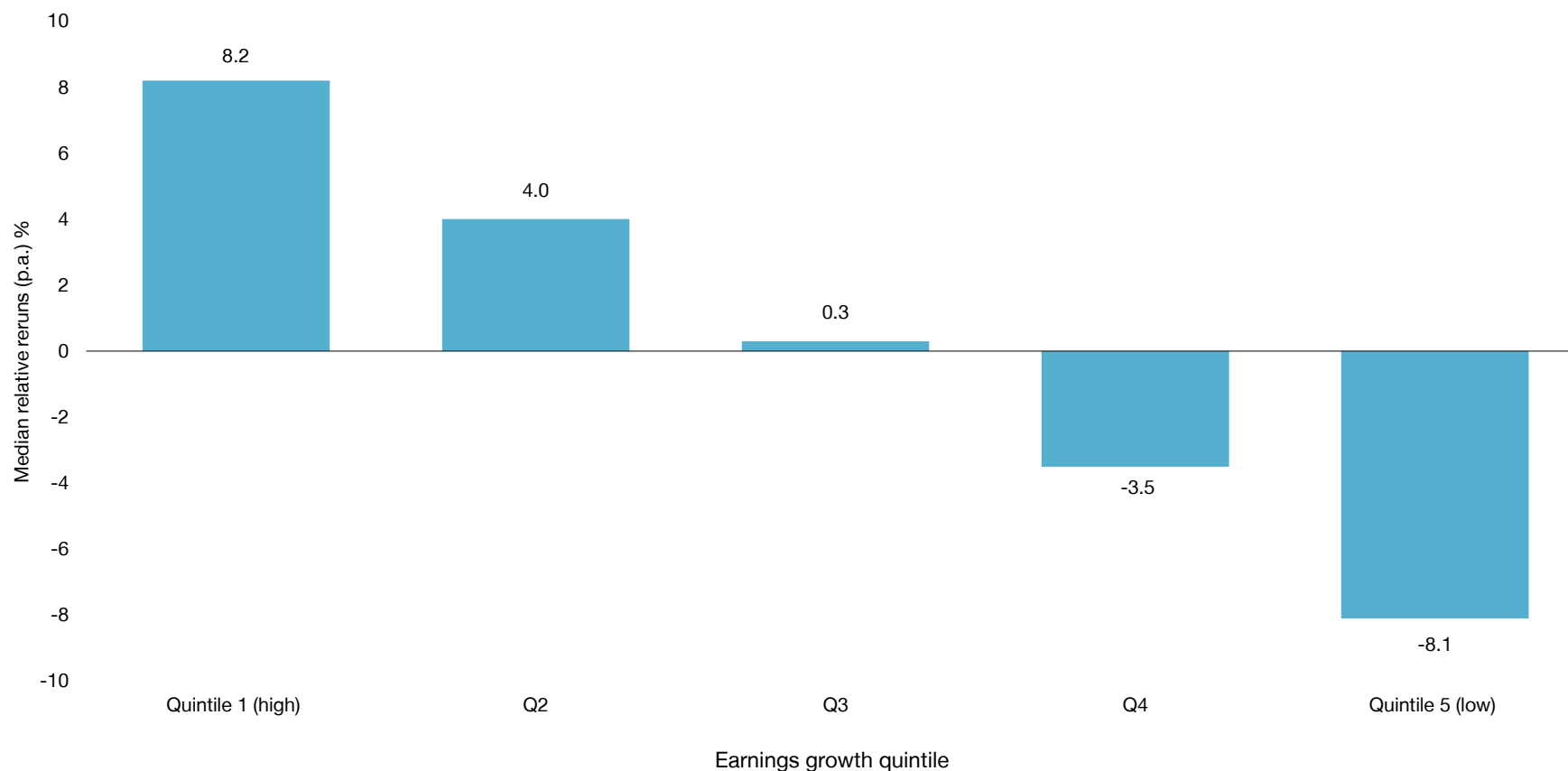
Source: Bessembinder, H., Cheng, TF., Choi G., John Wei, K.C. Do Global Stocks Outperform Treasury Bills? (July, 2019). The first author acknowledges financial support from Baillie Gifford & Co. The data includes 61,981 CRSP common stocks from January 1990 to December 2018. In cases where stocks list or delist within a calendar period the return is computed for the portion of the period where data is available. These 61,981 stocks were issued by 61,100 firms owing to dual share classes; dollar wealth is therefore assessed at the company level. Beyond the best-performing 811 firms, an additional 23,094 firms (37.8%) of stocks created positive wealth over their lifetimes. The wealth creation of these stocks was just offset by the wealth destruction of the remaining 37,195 (60.9% of total) firms, so that the top 811 firms created the same wealth as the overall market. US dollars.

## 121 firms, 0.2% of all global stocks, created half the wealth

# Intrinsic law 2 of stock market returns

## Delivered median total returns by earnings growth quintile

Rolling five year horizons (1992-2021)



Source: FactSet, FTSE, MSCI. US dollars.

The Universe consists of all stocks listed in the FTSE World and MSCI ACWI Indices at each starting point excluding repetitions.

# Embrace volatility

Stock	Return since inception (%)	Time held	Drawdowns
Tesla Inc	11,181	9 years	8 of over 30%
Amazon.com	7,963	16 years	5 of over 30%
Hermes International	2,517	16 years	5 of over 30%
Tencent	2,125	13 years	3 of over 30%
NVIDIA	1,774	5 years	3 of over 30%
Atlassian	1,183	5 years	2 of over 30%
Atlas Copco	1,013	13 years	7 of over 30%
Apple	885	5 years	4 of over 30%
HDFC	830	11 years	7 of over 30%
Intuitive Surgical	787	12 years	3 of over 30%

Source: StatPro, Eikon data from Refinitiv. Since inception: 29 February 2004 to 31 March 2022. US dollars. Some stocks are no longer held.

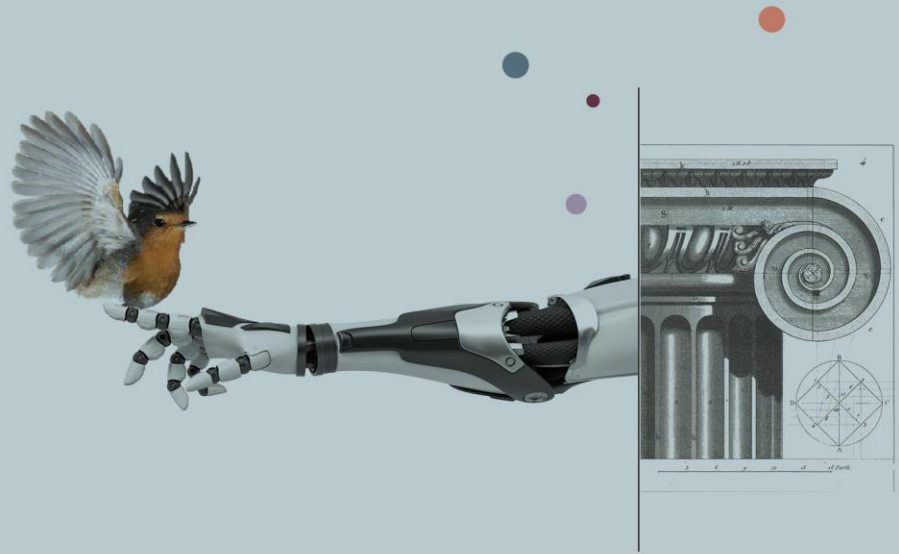


# Global Alpha Paris-Aligned portfolio and transactions

Holding size	Compounders 43.9%	Disrupters 32.1%	Capital Allocators 22.1%	Total	
~2.0%	Anthem Microsoft Alphabet Moody's AJ Gallagher Service Corporation Int'l AIA	Olympus Pernod Ricard Mastercard Prudential Thermo Fisher Scientific Estee Lauder	Prosus Amazon.com Tesla Inc	TSMC Royalty Pharma	46.2%
~1.0%	S&P Global Inc Broadridge Financial Solutions Meta Platforms Sysmex Analog Devices CoStar Adobe Systems adidas	Anylam Pharmaceuticals Moderna Alibaba HDFC Bank Li Auto Ping An Insurance Meituan B3 The Trade Desk SEA Limited Genmab Illumina Adyen	Atlas Copco Booking Holdings Charles Schwab Teradyne Markel Richemont Albemarle SMC CBRE Group Inc Deutsche Boerse Martin Marietta Materials CRH SiteOne Landscape Supply Epiroc	37.1%	
~0.5%	Chewy Certara Hoshizaki Corp	Datadog Shopify Abiomed CyberAgent Schibsted DoorDash Novocure Twilio Snowflake Axon Enterprise Cloudflare STAAR Surgical Adevinta	Coupang HelloFresh Netflix Farfetch Ubisoft Entertainment Exact Sciences Spotify Wayfair Chegg Oscar Health Carvana Vimeo VK	Nexans Rio Tinto Howard Hughes Sands China Brilliance China Automotive IAC Sberbank	14.9%
Complete Sales		KE holdings Naspers Peloton Reliance Industries	Teladoc Tencent Music	BHP Group DENSO Lyft Ryanair Stericycle Wizz Air Zillow	

As at 30 June 2022. Cash: 1.9%. Totals may not sum due to rounding. Based on the LF ACCESS Global Alpha Paris-Aligned Equity Fund.  
Notable transactions 6 months to 30 June 2022. **New buys**, **notable additions**, **notable reductions**.

# Where do we find growth today?



# The power of data 1.0

## Traditional architecture

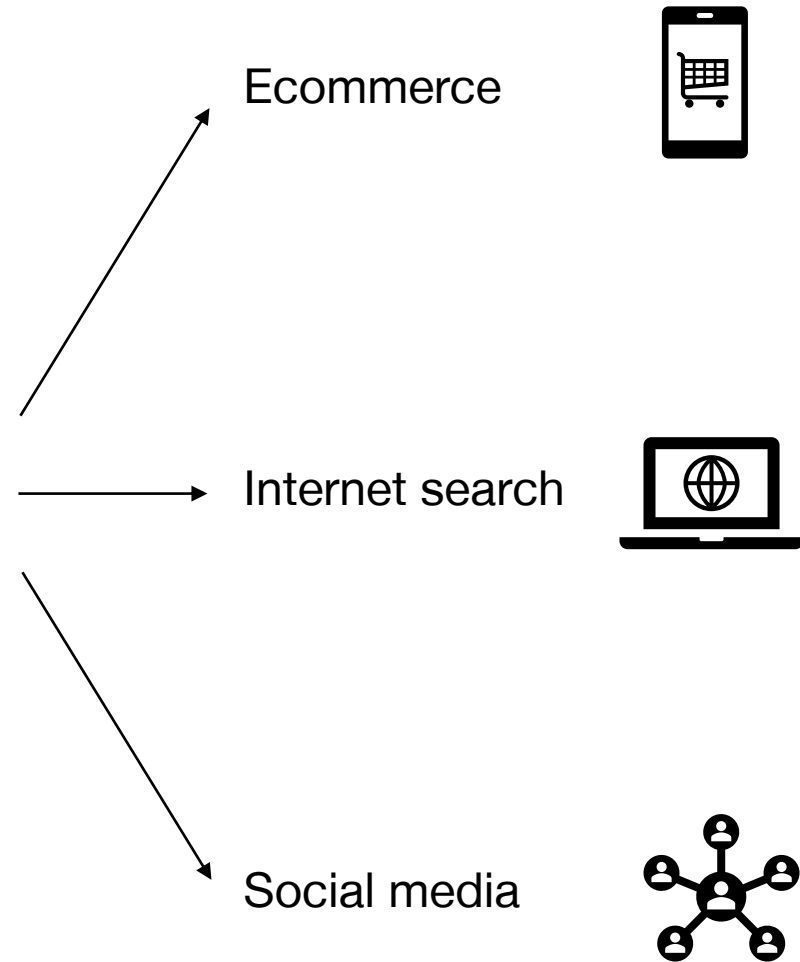
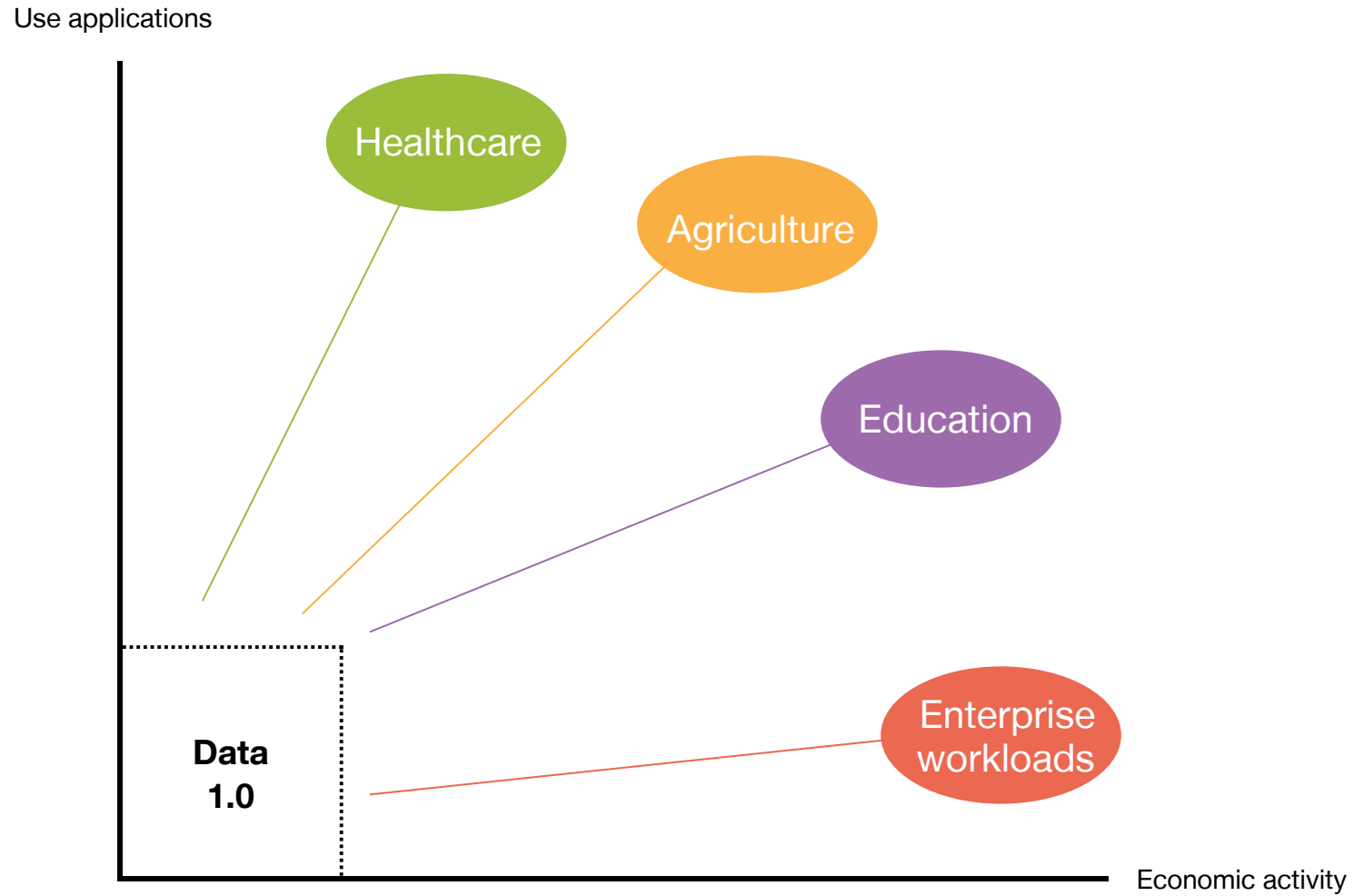


Image sources: © Corbis Historical/Getty Images

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July 2022

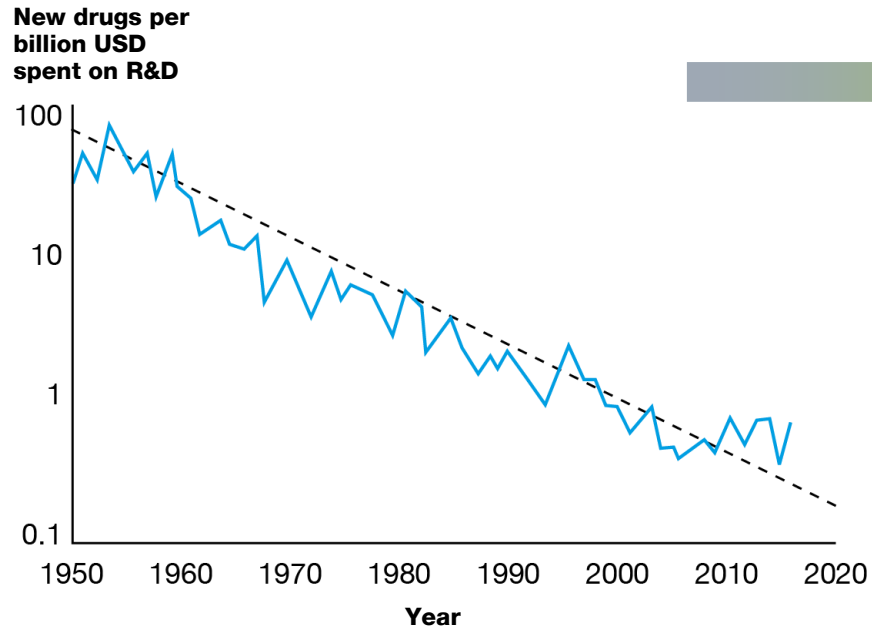
# The power of data 1.0 continued



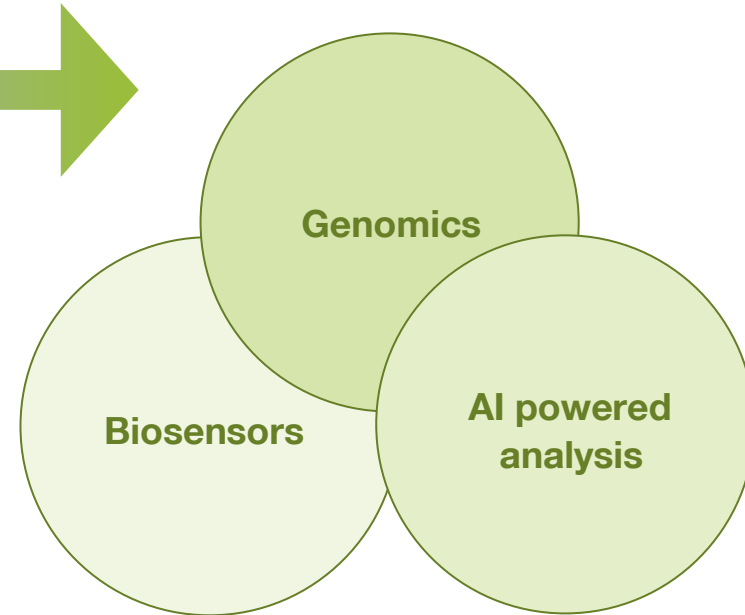


# Healthcare

## The past: Eroom's Law



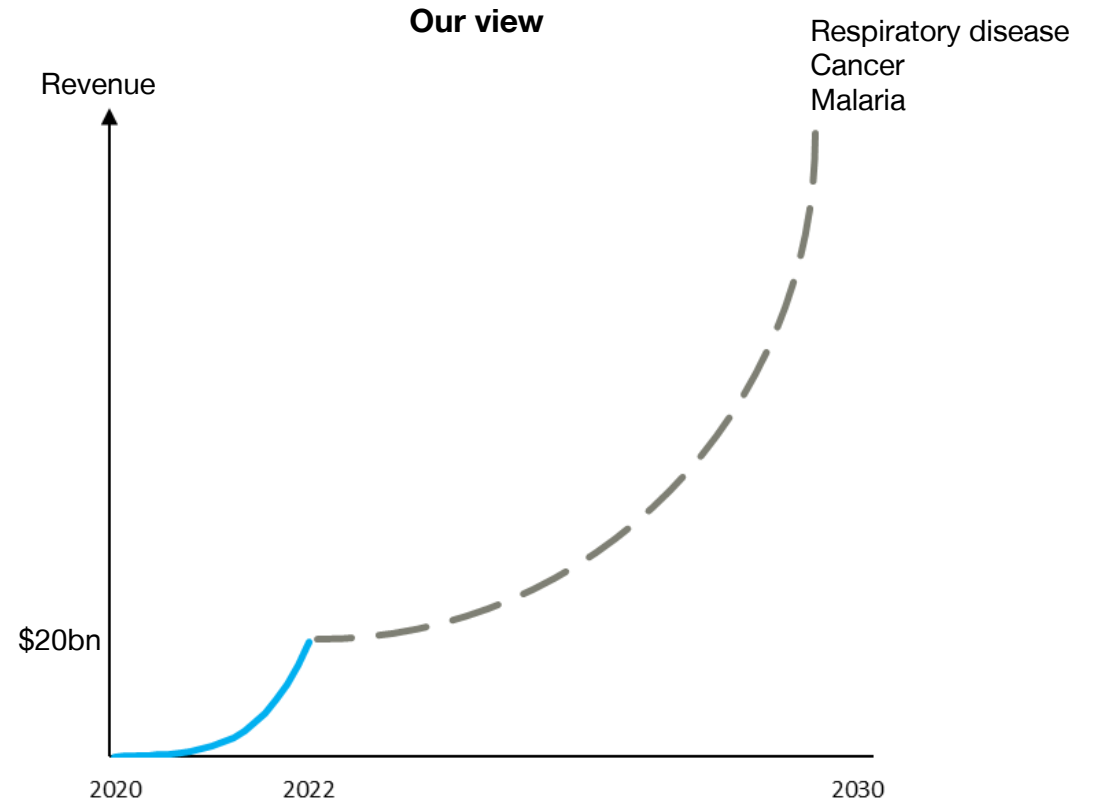
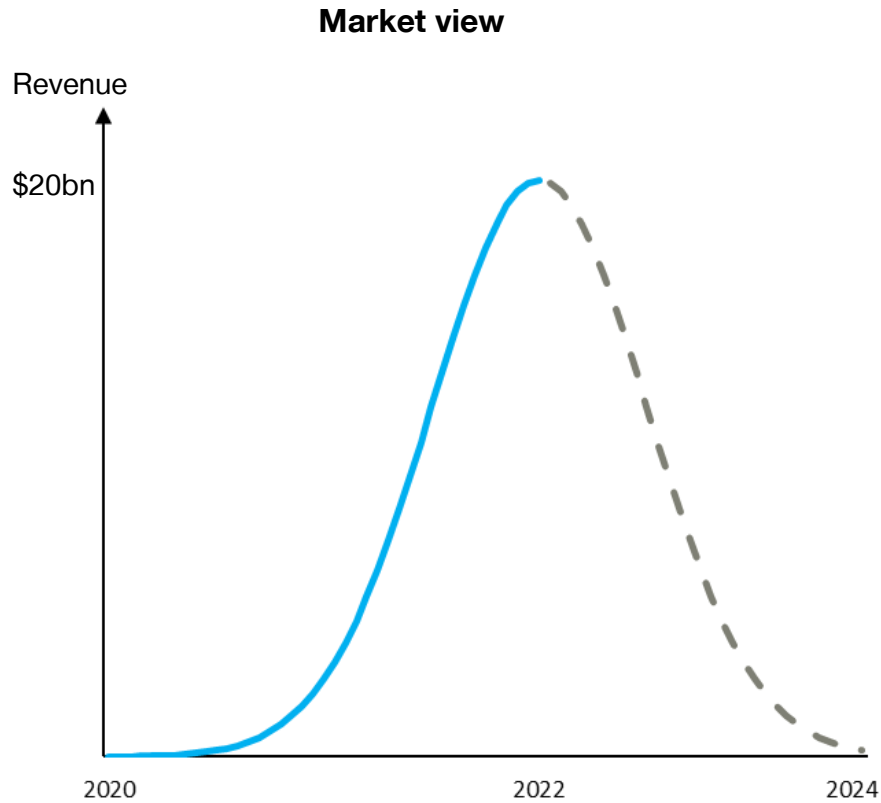
## The future



Source: [Diagnosing the decline in pharmaceutical R&D efficiency](#) | Nature Reviews Drug Discovery

# The mean is not about to revert

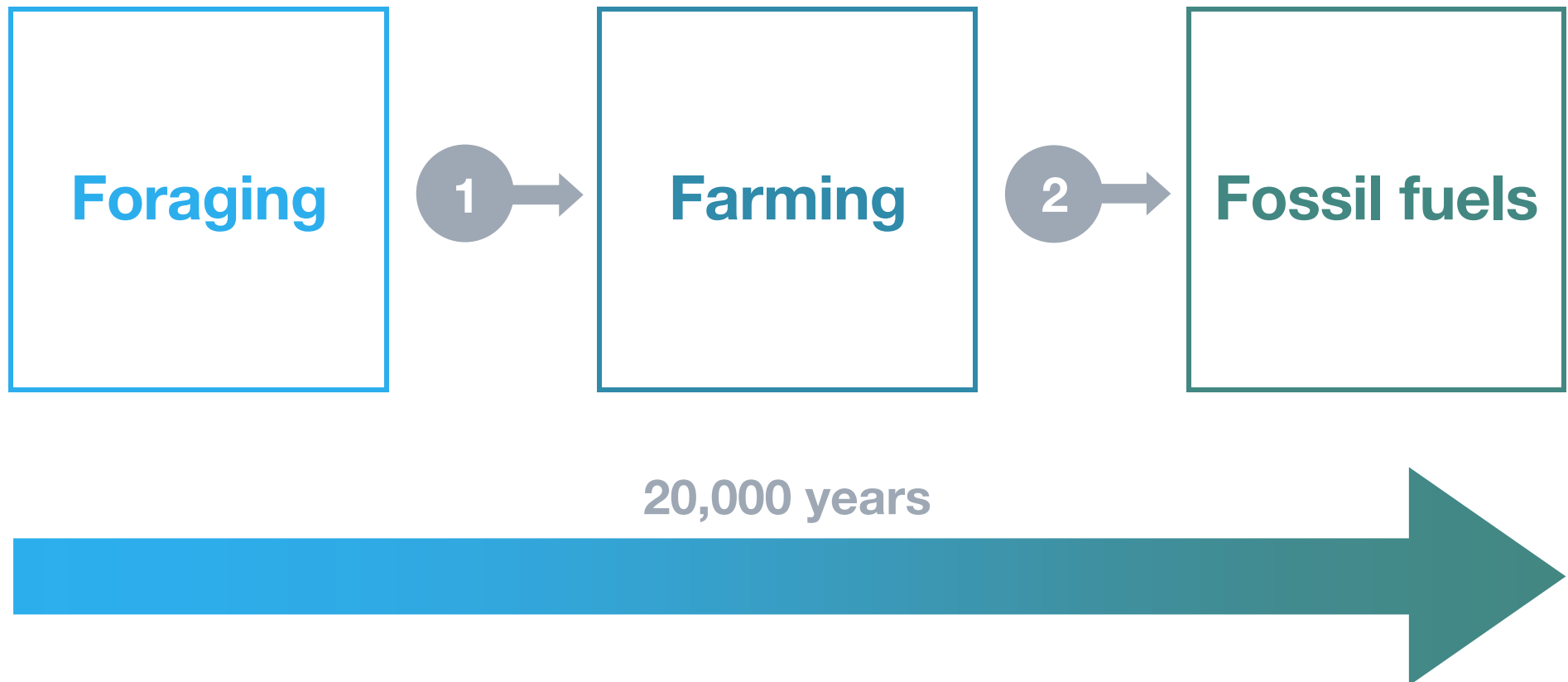
## Moderna



Source: [Moderna Revenue 2017-2022](#) | MRNA | MacroTrends

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# The great energy transition



# The great energy transition continued



## **Solar**

Costs have declined by 90% over the last 10 years

## **Wind**

Costs have declined by 40% over the last 10 years

## **Battery**

Costs have declined by 90% over the last 10 years

**Think of a world of zero marginal cost renewable power**

Image sources: © The Photolibary Wales/Alamy Stock Photo.



# Nexans: “electrify the future”

**Produces and installs cables that aid electrification of our energy networks**

## **Why we like it?**

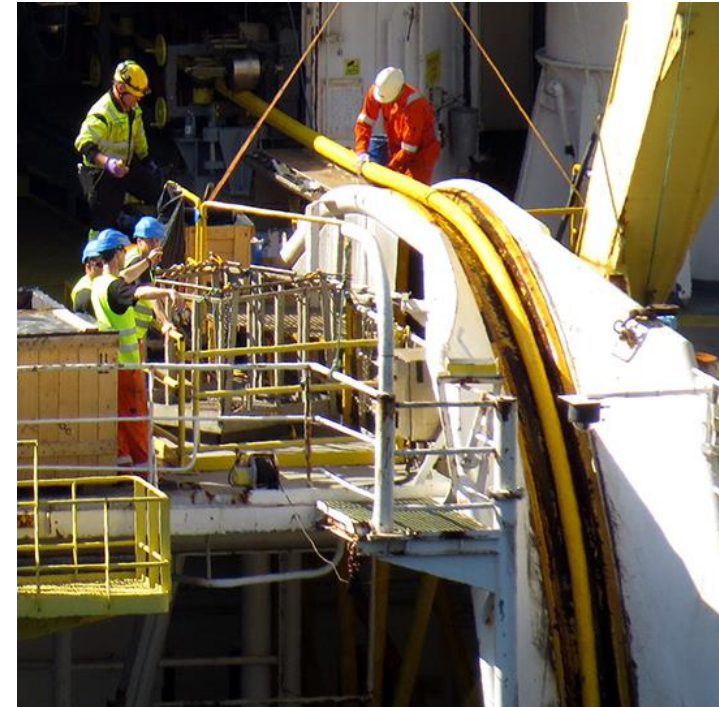
Few competitors and a rapidly scaling demand outlook:

- Solar power to increase 20x and wind 11x by 2050

Existing grid infrastructure in need of significant modernisation

Scope for margin expansion as new CEO pivots away from autos and construction to pure electrification

Highly ambitious climate plan: carbon neutral by 2030

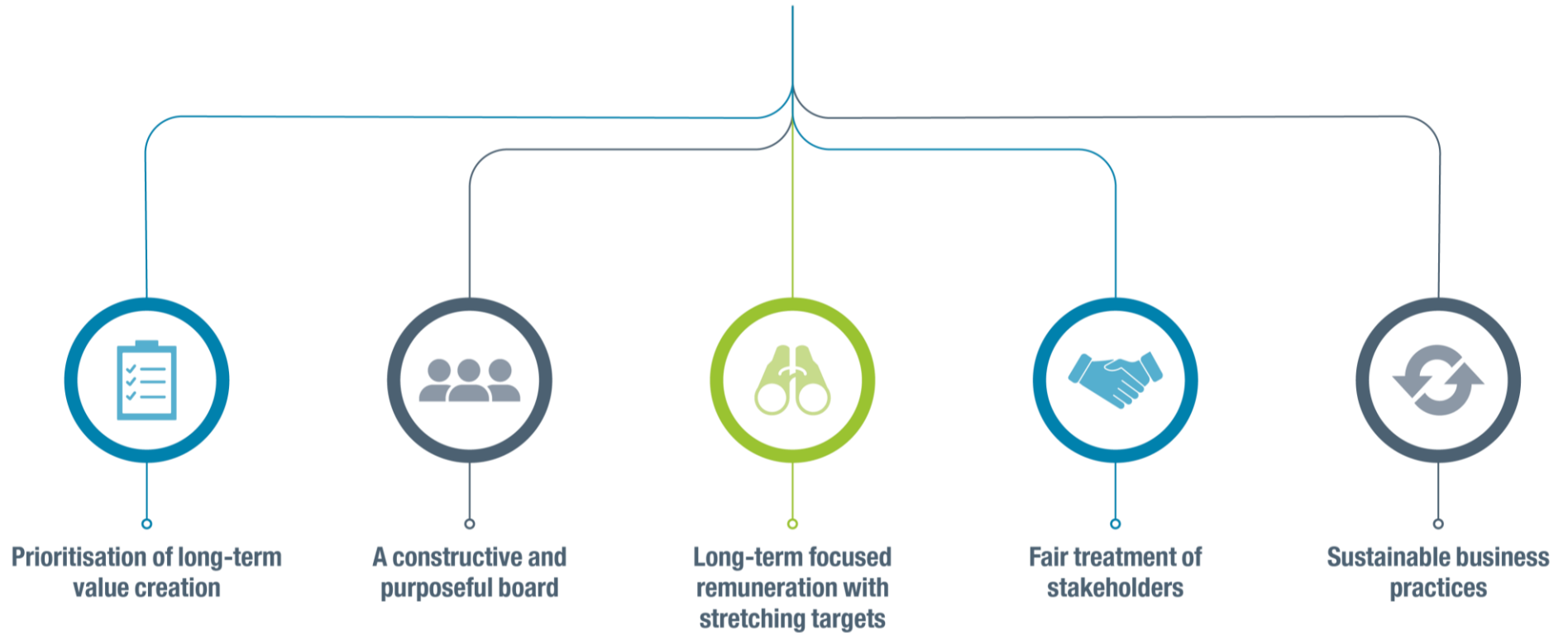


**We believe Nexans will become a core infrastructure provider over the next 3 decades**

Image source: Reuters/Lefteris Karaginnopoulos ©

# Our approach to stewardship

## Our core principles



# Summary

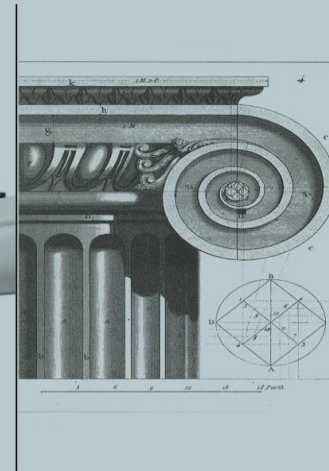
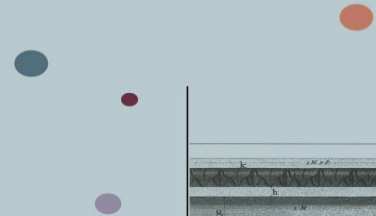
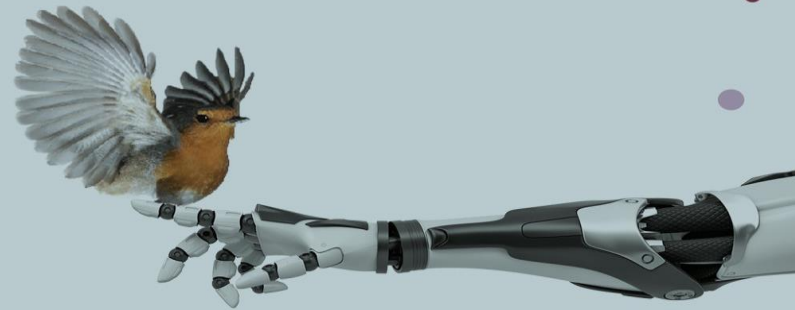
**Challenging performance but operating metrics remain sound**

**Opportunity set never more exciting**

**Engagement over the long term drives change**



# Q&A





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