



AITKEN INVESTMENT MANAGEMENT  
Global High Conviction Fund

# Aitken Investment Management

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Global High Conviction Fund

AIA Conference 2017

# What is the AIM Global High Conviction Fund?

1.

A global long/short absolute return fund that seeks to generate excess returns from disciplined execution of high conviction positions.

2.

The Fund is built around concentrated long positions in growth companies, in strongly positioned sectors. We hedge market exposure by shorting stocks and sectors with structural headwinds.

3.

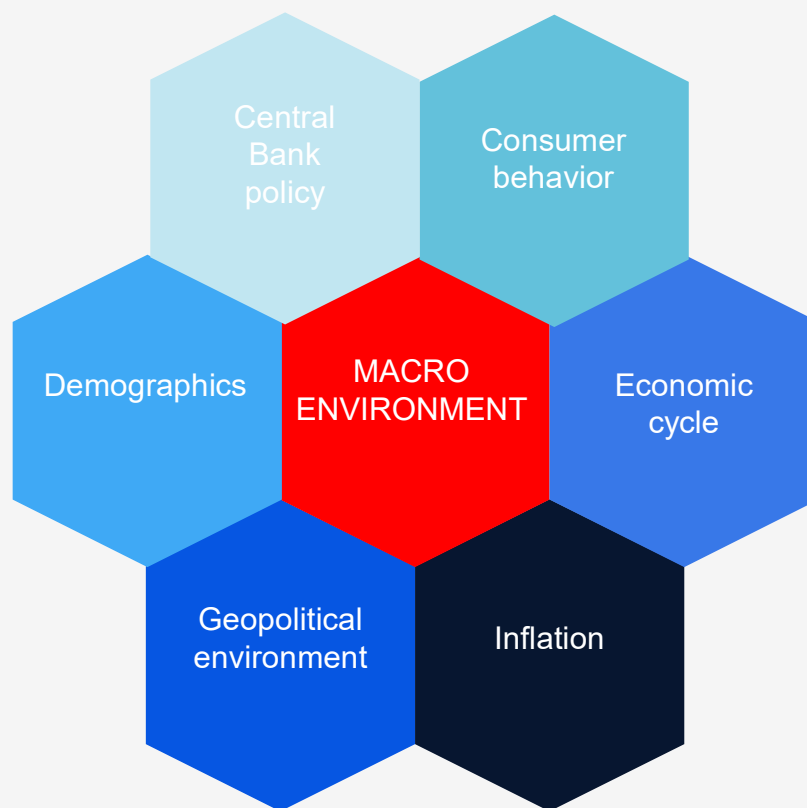
Our investments are driven by a top-down, macro focused view, overlaid on a bottom-up fundamental stock selection methodology.



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## What is AIM's Investment Process?

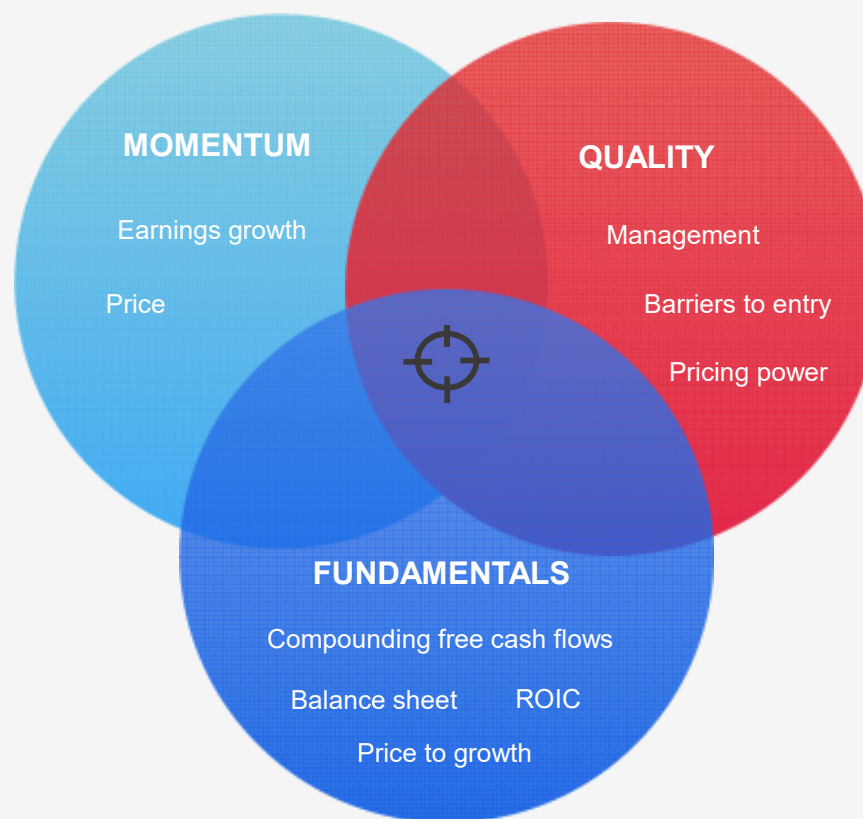
*We strongly believe the best returns are generated by investing with sectoral tailwinds. Our top-down analysis seeks to identify structural growth trends.*



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## What is AIM's Investment Process?

*We are price to growth investors and are prepared to pay a small premium to market for structural earnings and dividend growth.*



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# Core Investment Philosophy

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1. It's a market of stocks, not a stock market
2. Australia for income, rest of world for growth
3. Let your winners run, cut your losses quickly



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## Core Investment Philosophy

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4. The present is efficiently priced, the future is not
5. The power of observation: your children and grandchildren are the consumers of the future
6. Not all companies are created equal



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## Core Investment Philosophy

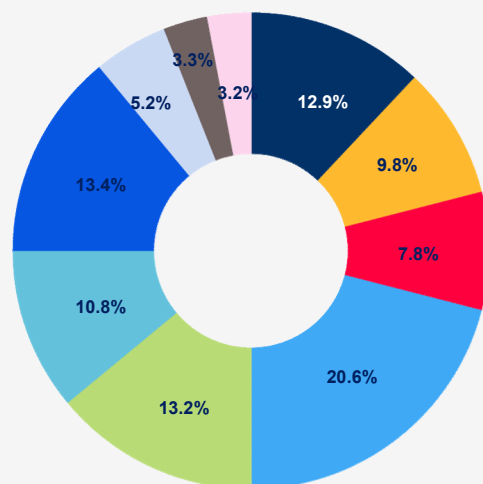
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- 7. Interest rates have bottomed for your lifetime
- 8. Passive investing is a dangerous bubble
- 9. You'll never overtake anyone driving in the same lane

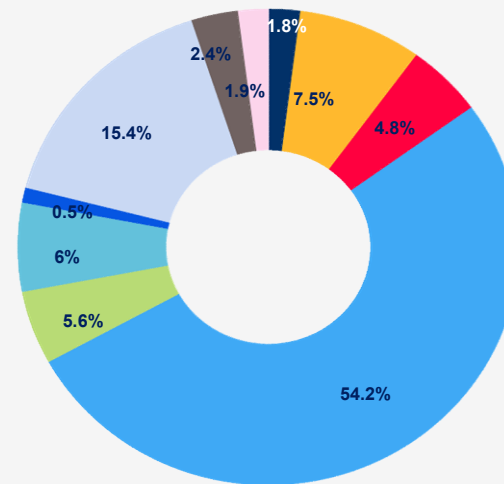


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# Global Opportunities



MSCI World - Sector Weights (%)



MSCI Australia - Sector Weights (%)

## Legend

- Consumer Discretionary
- Consumer staples
- Energy
- Financials
- Health Care
- Industrials
- Information Technology
- Materials
- Telecom Services
- Utilities



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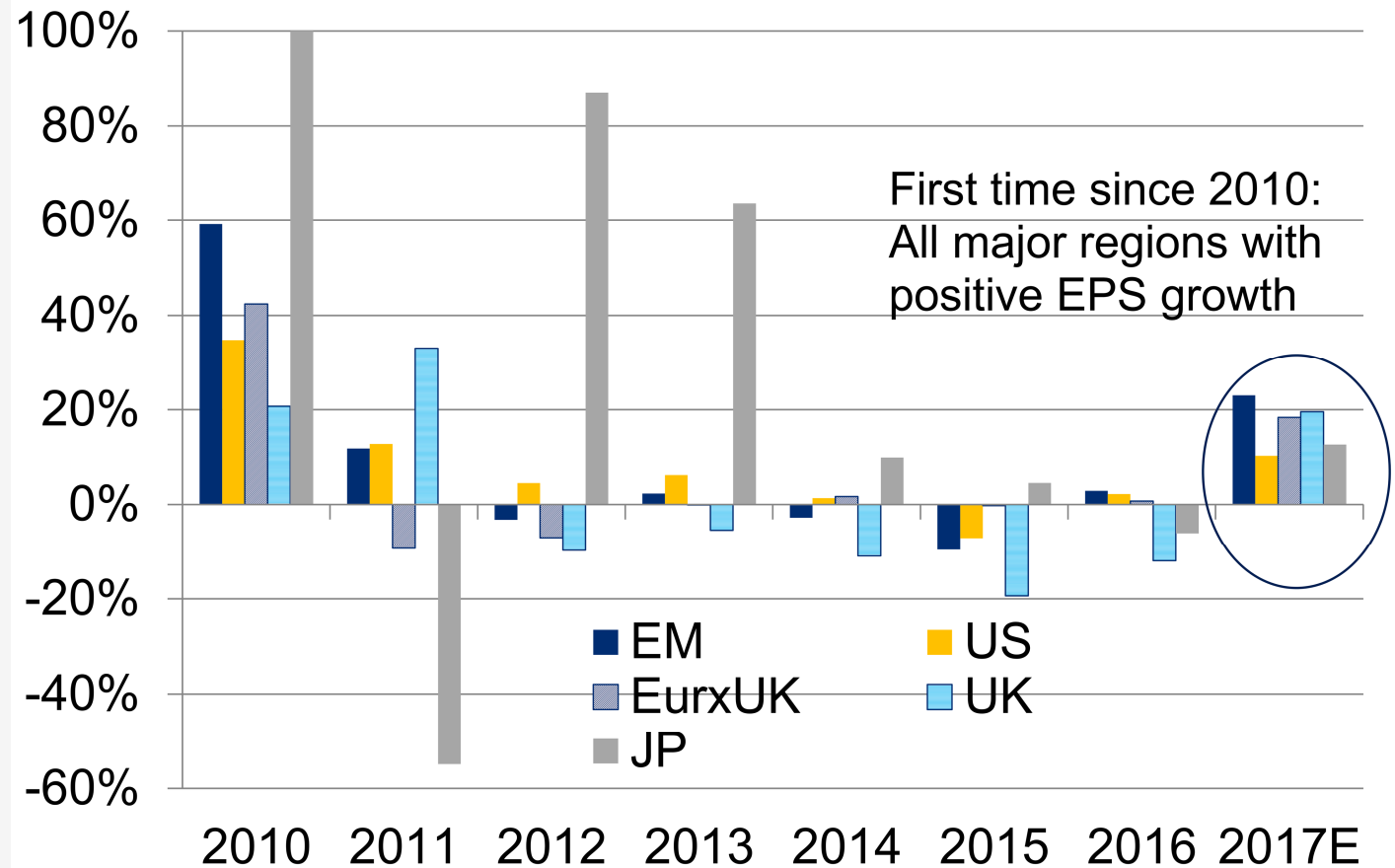
## Market outlook – July 2017

- ▶ Synchronised economic upturn
- ▶ Global inflationary pressures
- ▶ Reflation driving market dispersion
- ▶ US – worst value market globally
- ▶ China and Eurozone – best value markets globally
- ▶ Australian Outlook Deteriorating
- ▶ The Passive Bubble



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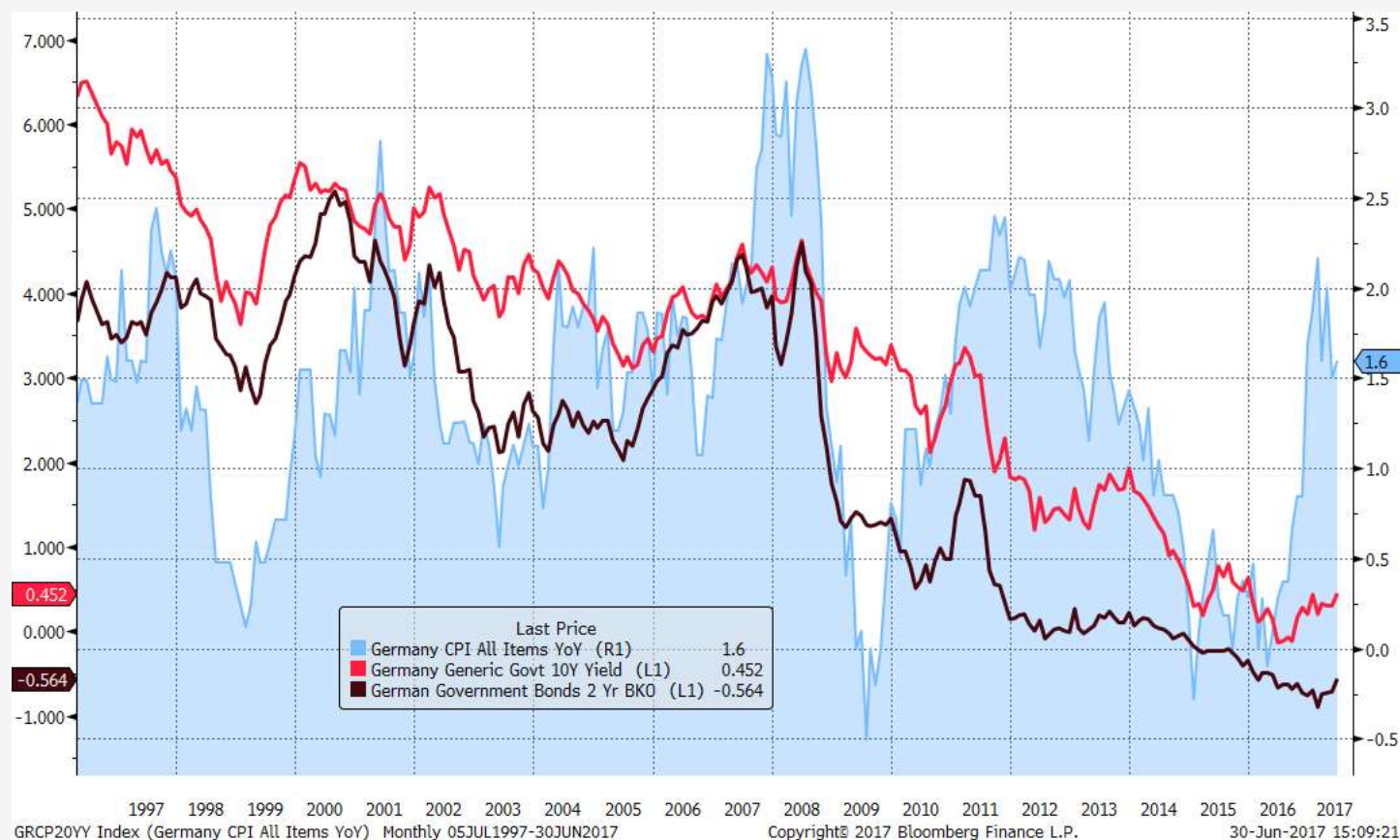
## Synchronized economic upturn



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## German Bond Yields vs. Inflation

*Rates have yet to follow inflation higher*



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# European Economic Confidence



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# Global markets – where is the value?

*Large divergence between US and ROW*

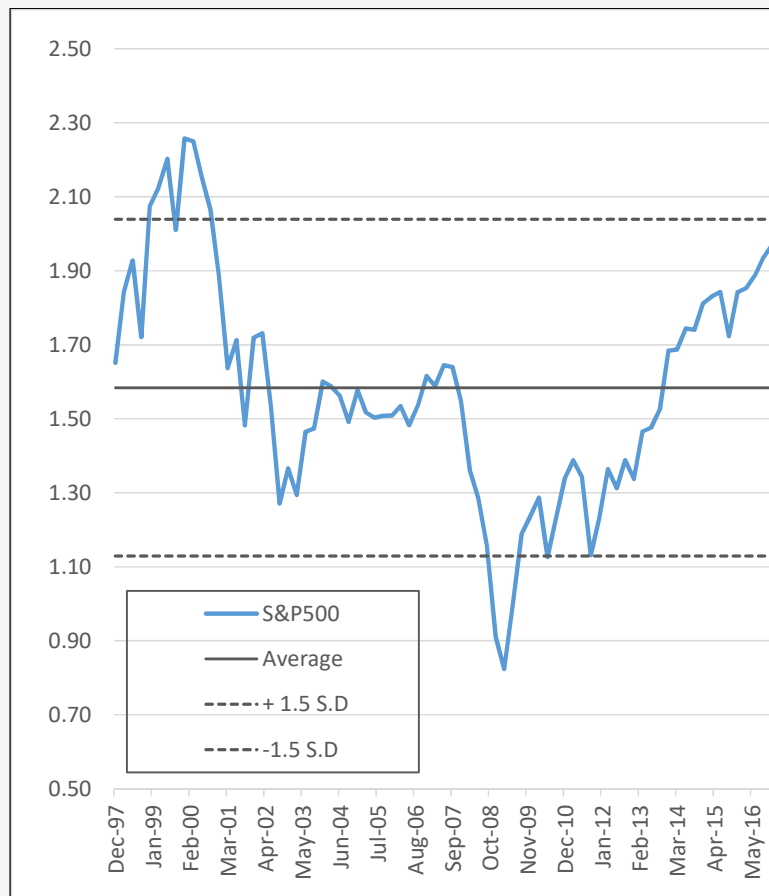
Measure 1 Price/Earnings				Price/	Curr Yr	Nxt Yr
1 North/Latin America		Price	Net Chg	Earnings	Est.	Est.
4)	INDU DOW JONES INDUS.	21184.04	-22.25	18.63	17.48	15.91
5)	SPX S&P 500 INDEX	2436.10	-2.97	21.64	18.74	16.75
6)	CCMP NASDAQ COMPOSITE	6295.68	-10.11	33.33	23.97	20.41
7)	SPTSX S&P/TSX COMPOSIT	15409.78	-32.97	21.16	16.68	14.79
8)	MEXBOL S&P/BMV IPC	49592.49	275.12	21.33	18.12	16.15
2 Europe/Africa/Middle East						
9)	SX5E Euro Stoxx 50 Pr	3579.55	-12.27	20.05	15.21	13.88
10)	UKX FTSE 100 INDEX	7525.76	-21.87	32.70	15.24	14.16
11)	CAC CAC 40 INDEX	5307.89	-35.52	18.01	15.70	14.24
12)	DAX DAX INDEX	12822.94	158.02	20.08	14.08	13.08
13)	IBEX IBEX 35 INDEX	10884.70	-21.20	19.26	14.97	13.58
14)	FTSEMIB FTSE MIB INDEX	20721.04	-207.20	neg	14.37	12.30
15)	AEX AEX-Index	524.44	-2.30	18.86	16.44	14.83
16)	SMI SWISS MARKET IND	9043.96	19.04	25.50	18.12	16.40
3 Asia/Pacific						
17)	NKY NIKKEI 225	19979.90	-190.92	19.15	17.46	15.99
18)	HSI HANG SENG INDEX	25930.19	+67.20	14.33	12.75	11.70
19)	SHCOMP SHANGHAI SE COMP	3090.41	-1.25	16.58	13.64	12.11
20)	AS51 S&P/ASX 200 INDE	5667.50	-87.37	19.26	15.69	15.09
21)	STI Straits Times In	3233.60	-4.71	13.17	14.74	13.70



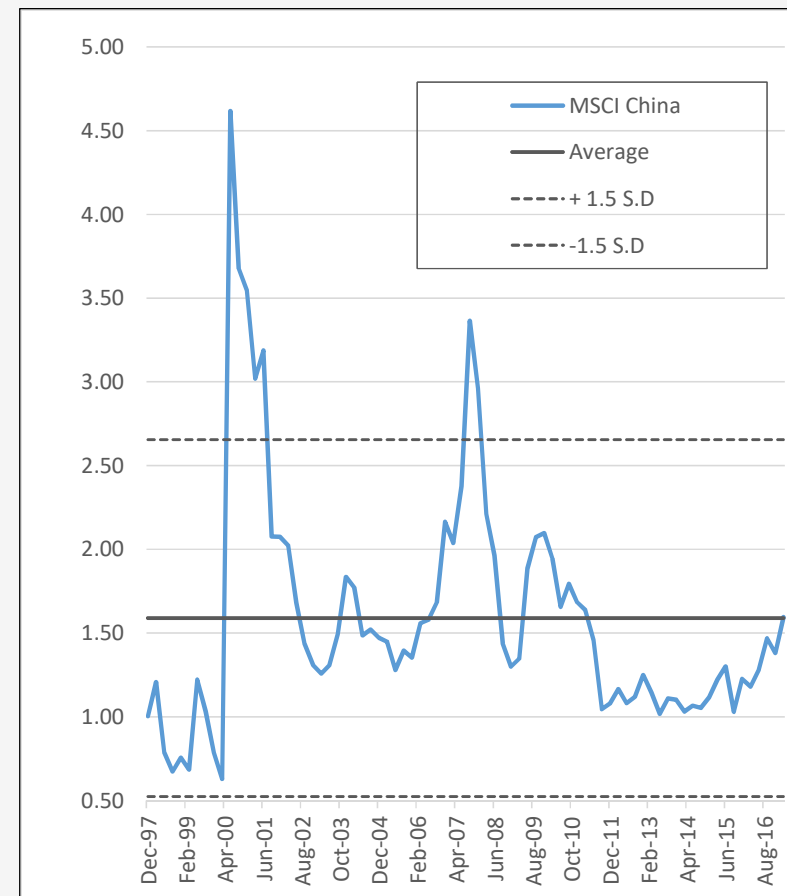
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## Value in a historical context

*US S&P500 Price / Sales – Multi-decade highs*



*MSCI China Price / Sales – below average*



## Apple – Biggest winner from passive flow



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## Apple – PE from 11x to 17x on passive flow



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## Chinese equities record under-weight

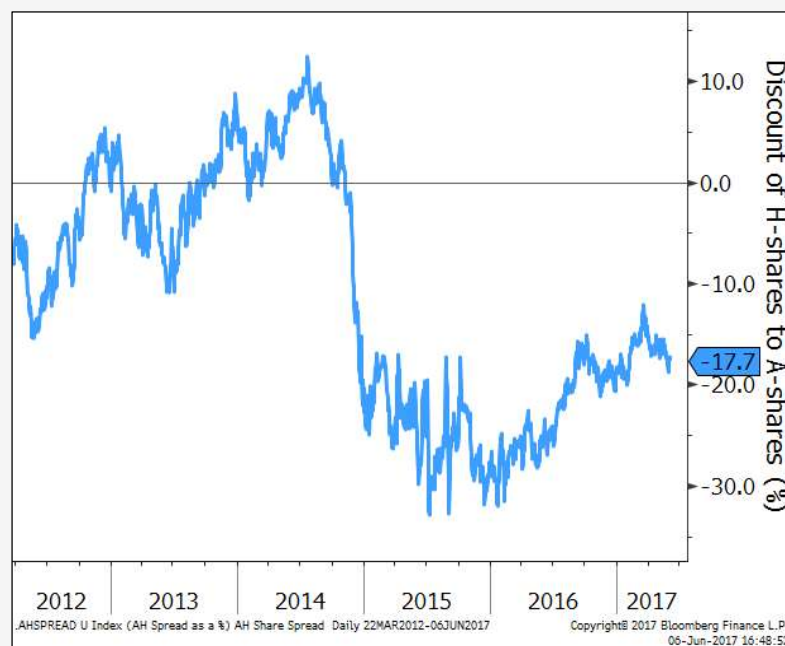


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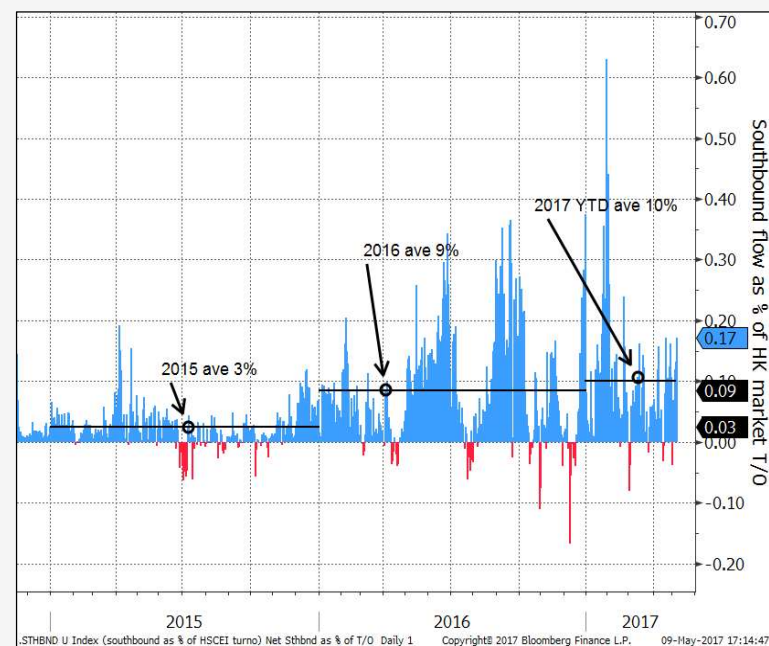
## Southbound flow

- *H-shares trade at an 18% discount to their A-share listed peers.*
- *This discount is closing from historically wide levels as the introduction of the stock connect program has provided mainland investors access to HK listed shares*
- *Mainland buying of HK shares (“Southbound” flow) is accelerating and we expect it to remain a significant factor this year*

Discount of H-shares to A-shares

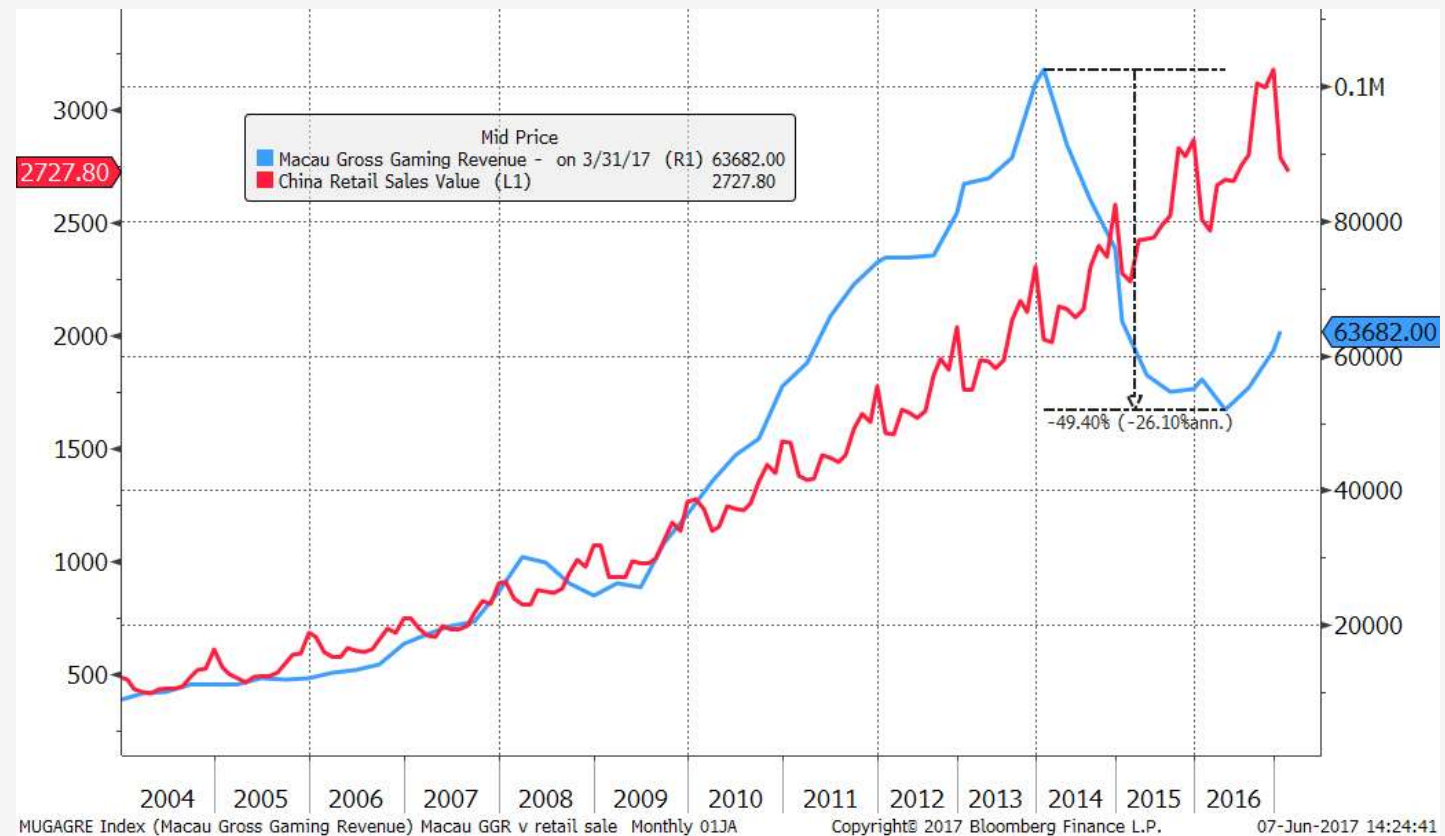


Net Southbound flow as a % of HK market turnover



## Macau – the worm has turned

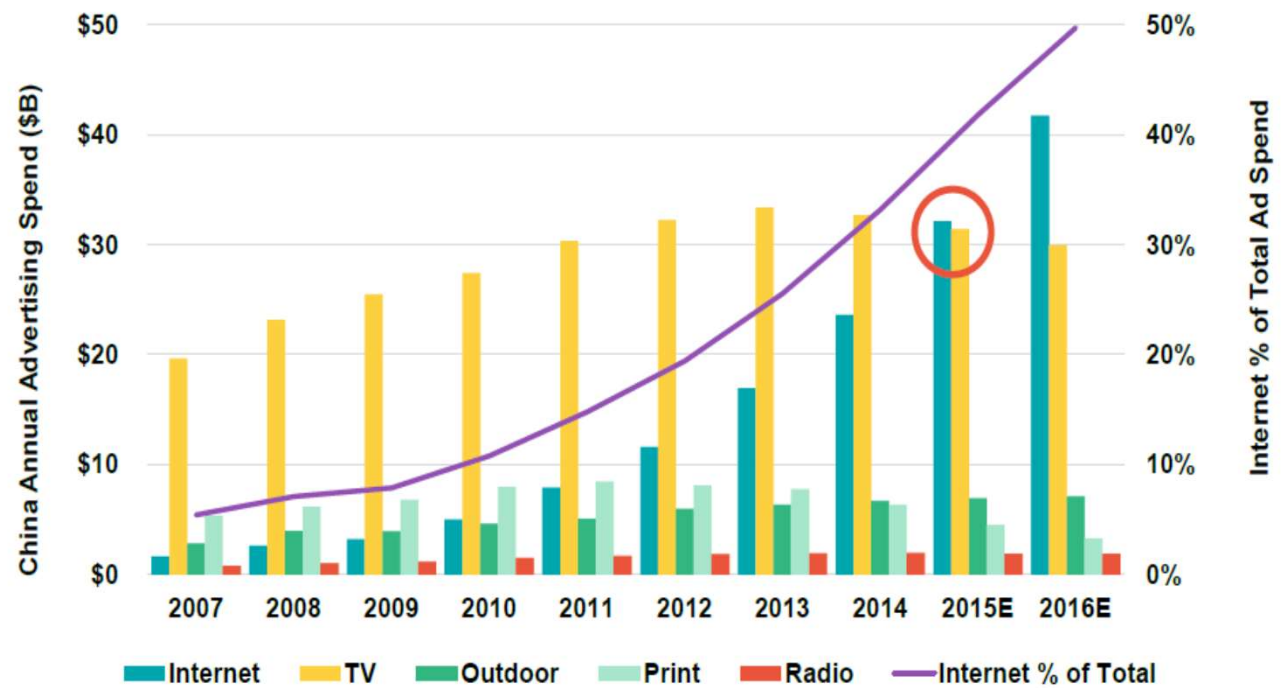
- *Macau Gaming Revenue fell 50% in 3 years, whilst Chinese retail sales grew >60% over the same time period. We believe gaming revenues will revert to trend*
- *Gaming revenue is running at approximately +15% yoy in 2017*



## China online advertising

*Chinese online advertising surpassed TV ad spend in 2015. We expect this trend to accelerate*

China Annual Advertising Spend by Medium, 2007 – 2016E

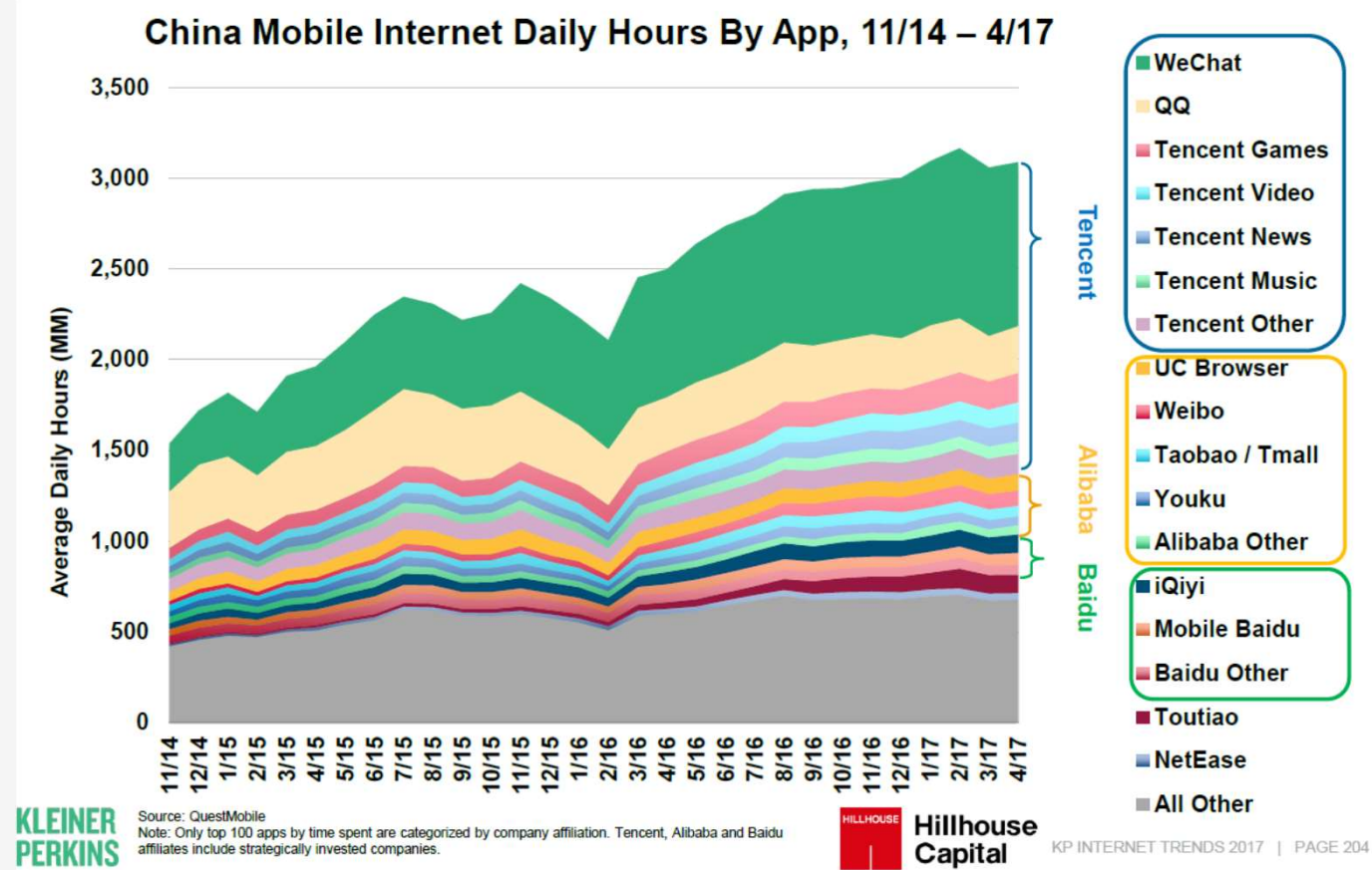


Source: GroupM China, April 2016 Forecast



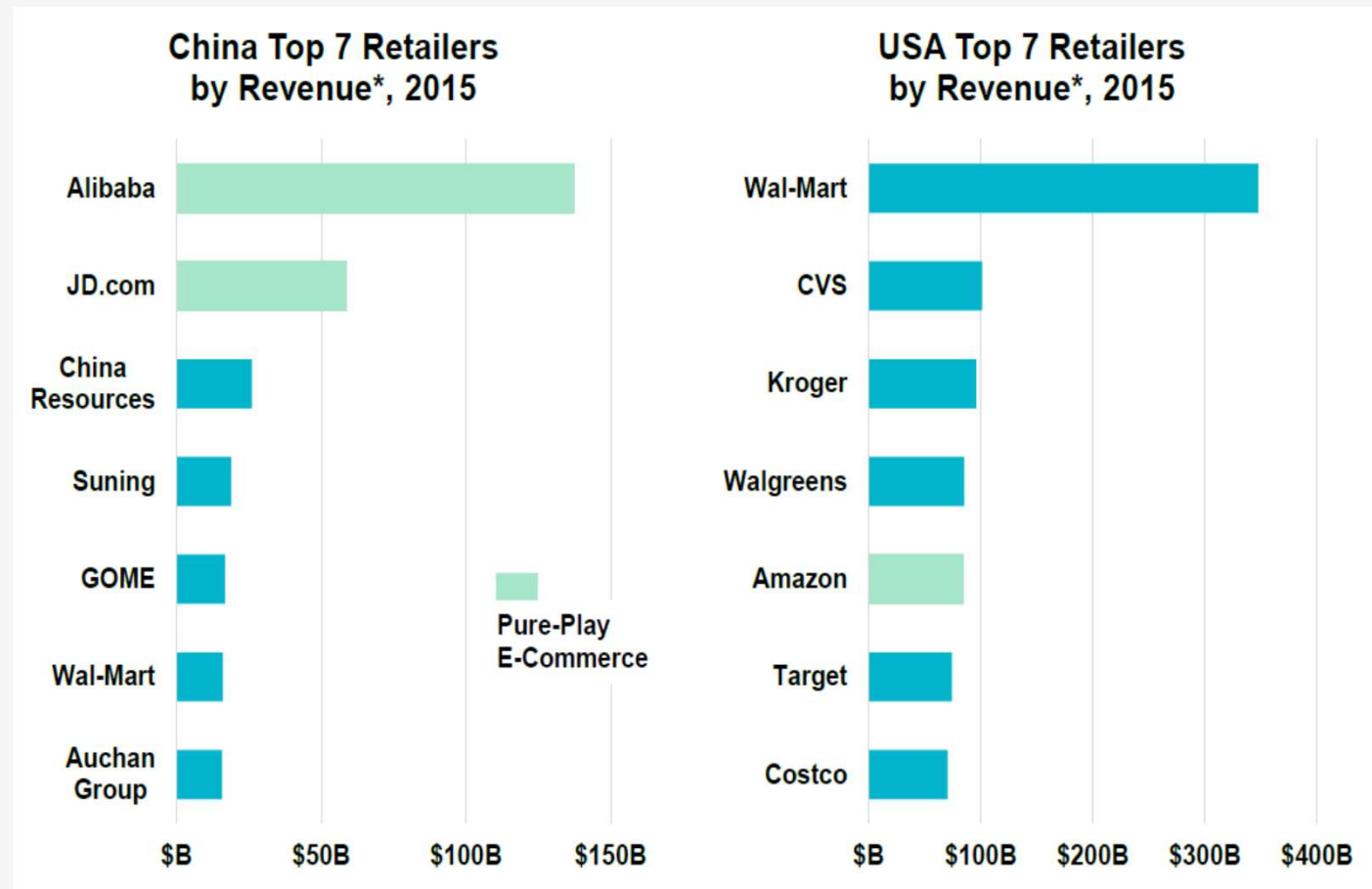
## Tencent – owns China’s mobile eyeballs

*China mobile internet usage is dominated by Tencent with over 58% share of Daily Mobile Time Spent. Alibaba and Baidu rank a distant second and third with a combined 16%*



## Top retailer ranking China vs USA peers

*E-Commerce companies dominate the retail space in China, in contrast to the US*



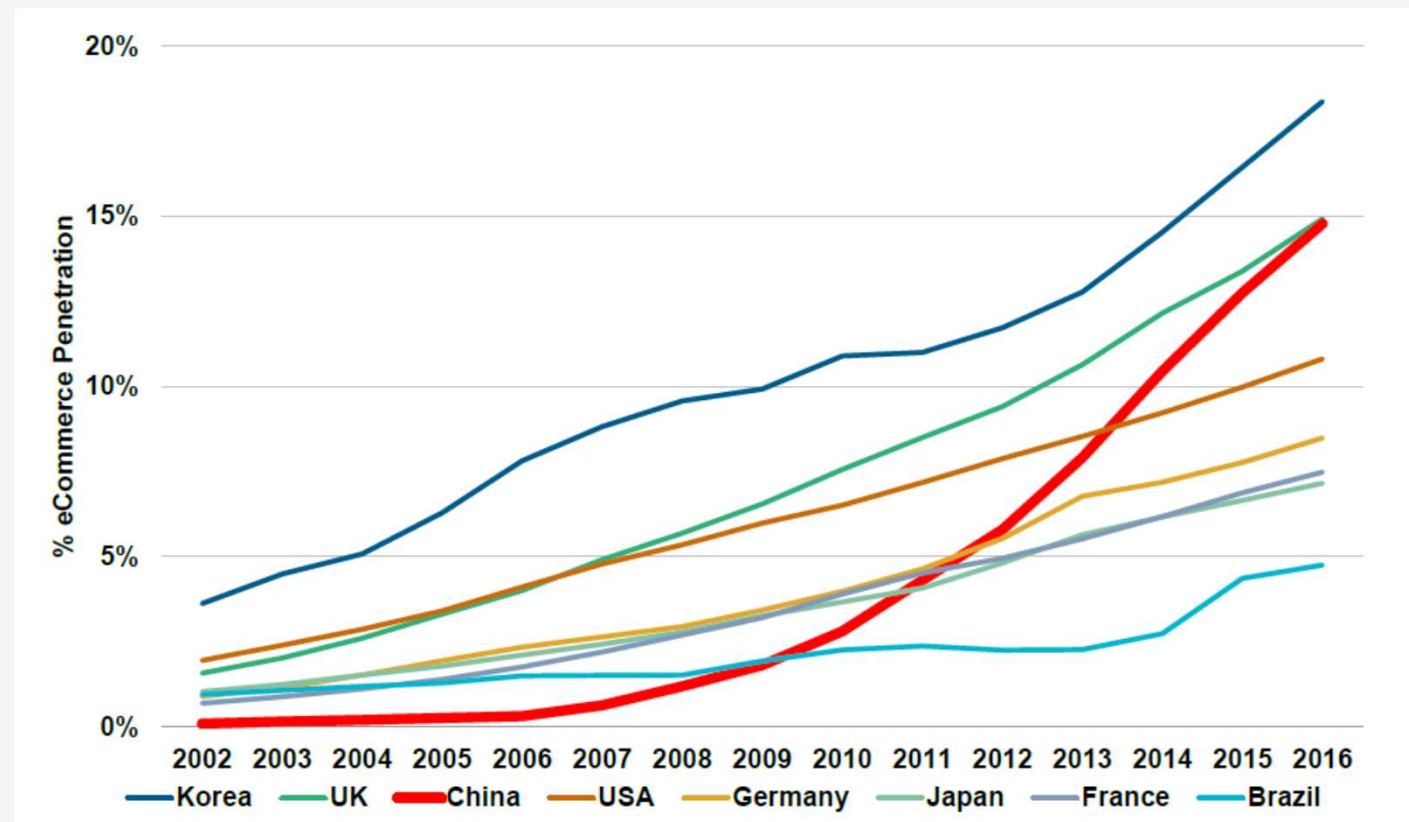
Source: Euromonitor



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## B2C eCommerce as a % of Retail Sales (by country)

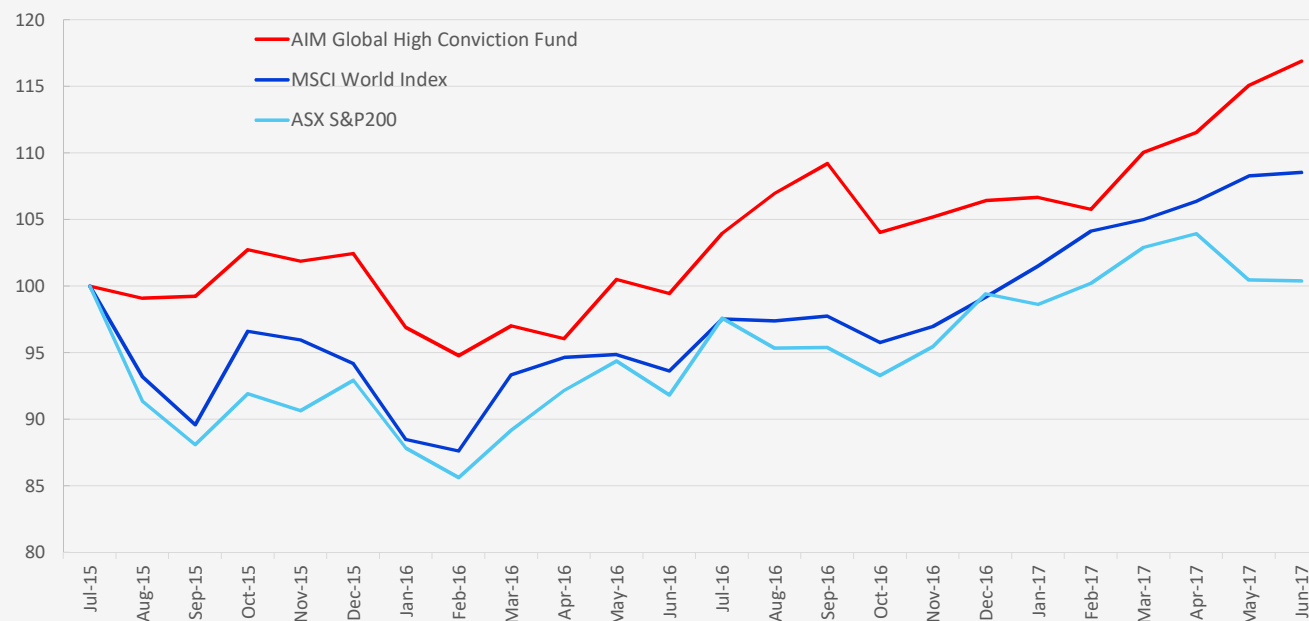
*Penetration of eCommerce ramping faster in China than anywhere else in the world*



Source: Euromonitor, Hillhouse Capital

# Performance update

*Value of \$1m invested since inception*



Return (to 30 June)	AIM	MSCI World (USD)		ASX S&P 200	
		Return	Relative	Return	Relative
Last 12 months	17.6%	15.9%	+1.6%	9.3%	+8.2%
Inception*	16.9%	8.5%	+8.4%	0.4%	+16.5%
Volatility	9.0%	11.6%		12.3%	
Correlation (to AIM)		59%		55%	
AIM Beta (vs Index)		0.46		0.41	

\* From hard launch 31 July 2015



## Contact Us

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For a copy of this presentation or further information on the fund please contact AIM:

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