



AITKEN INVESTMENT MANAGEMENT
Global High Conviction Fund

Aitken Investment Management

Global High Conviction Fund

AIA Conference

July 2018

What do we stand for?

- ▶ We are independent
- ▶ We are transparent
- ▶ We are active
- ▶ We are liquid
- ▶ We are global
- ▶ Our AIM: performance

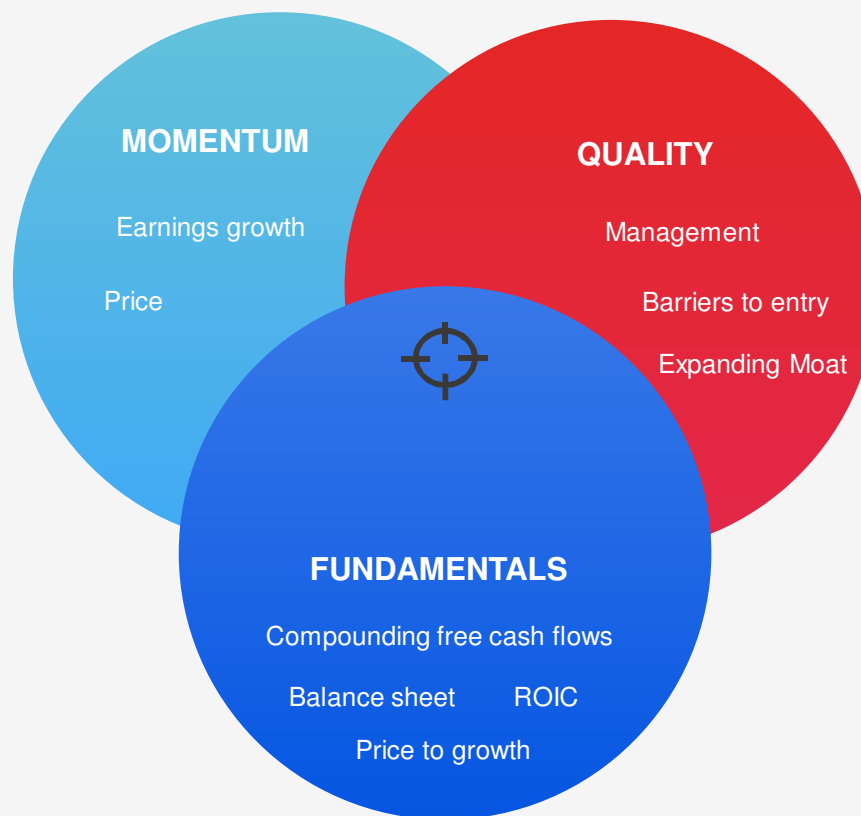
We start top down...

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



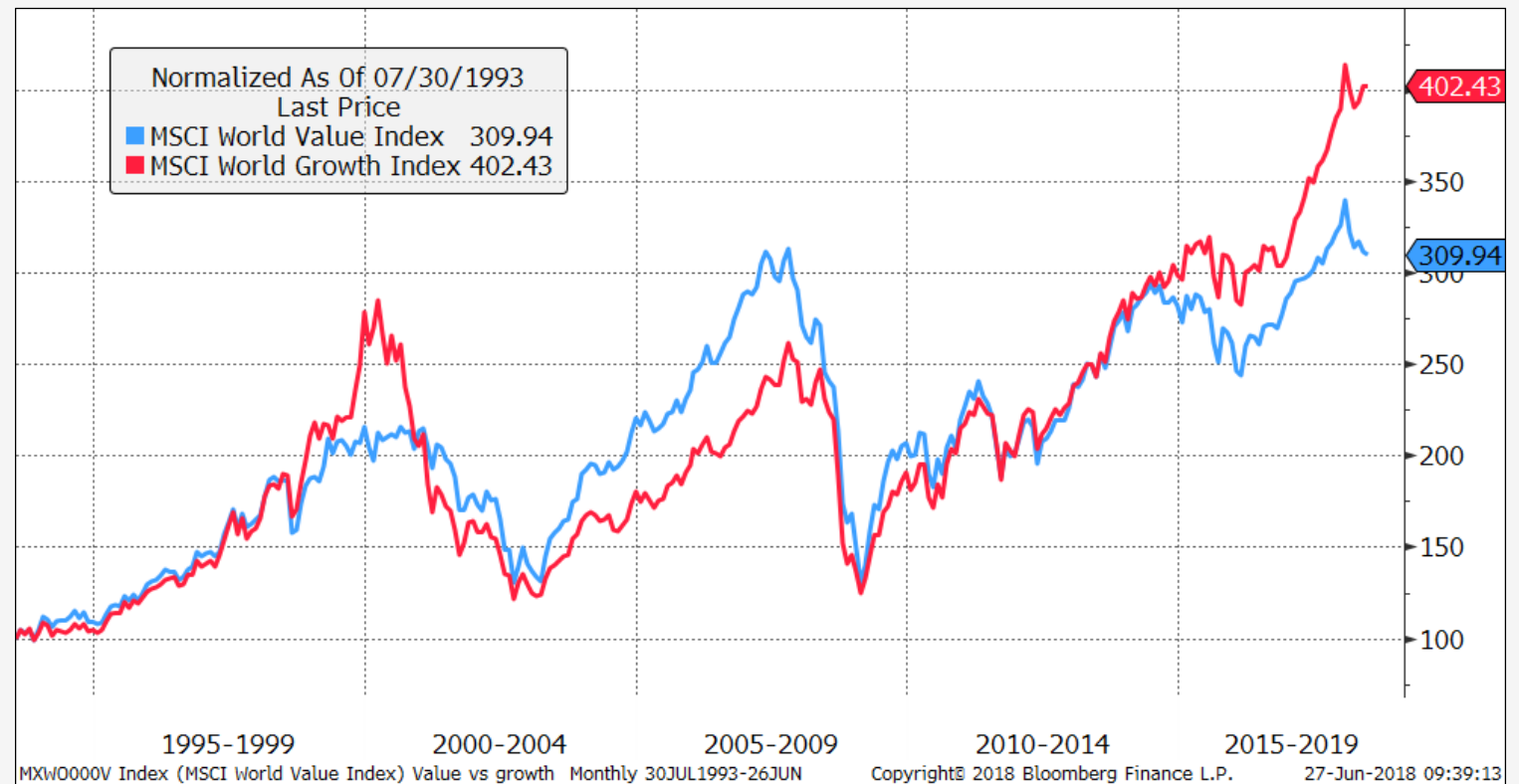
What factors do we look for in a stock?

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



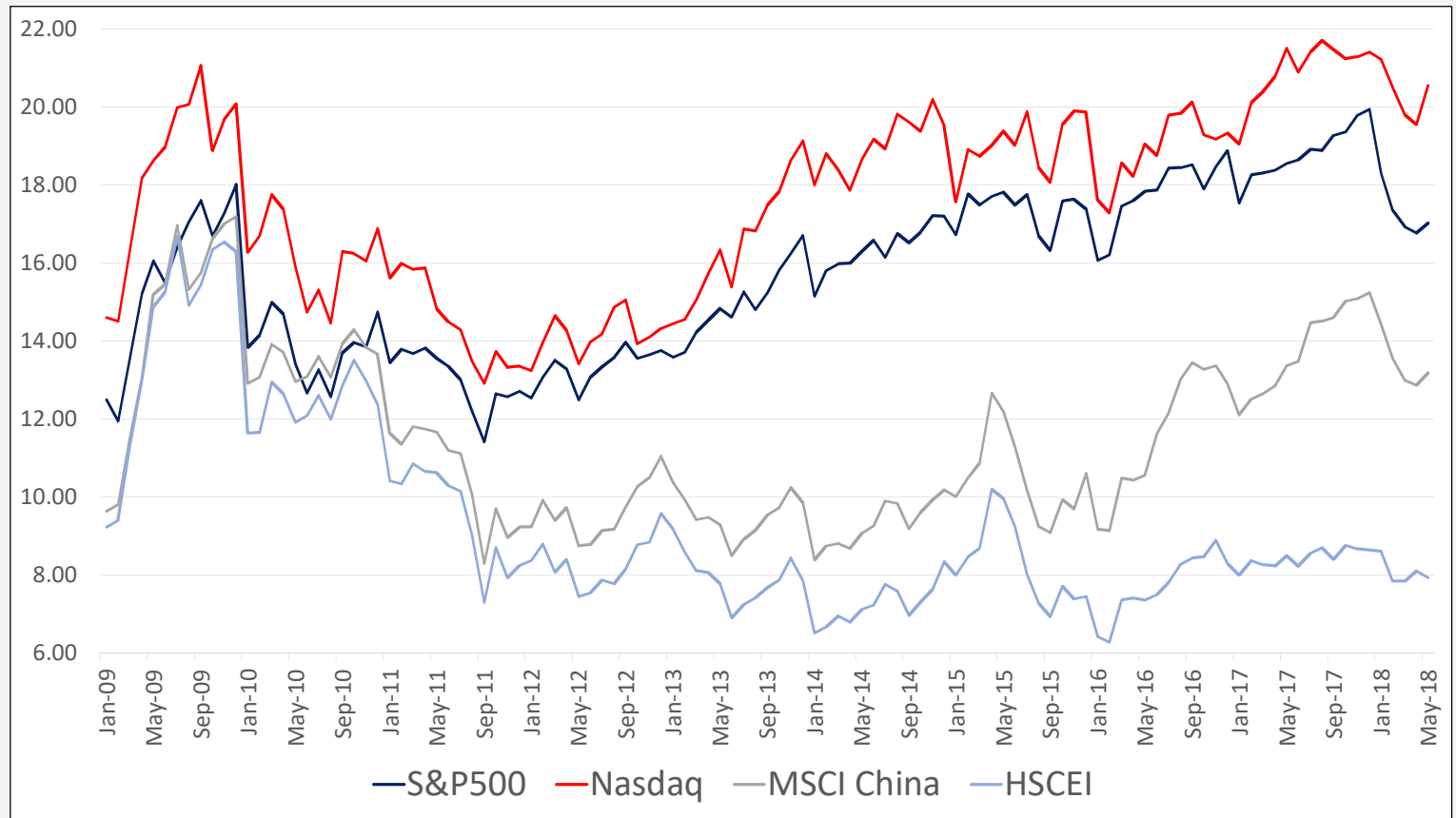
Growth versus value

Growth has significantly outperformed value for the past 4 years and now trades at a historic premium.



PE Ratio Divergence

The PE divergence between the US and Hong Kong is at record highs.

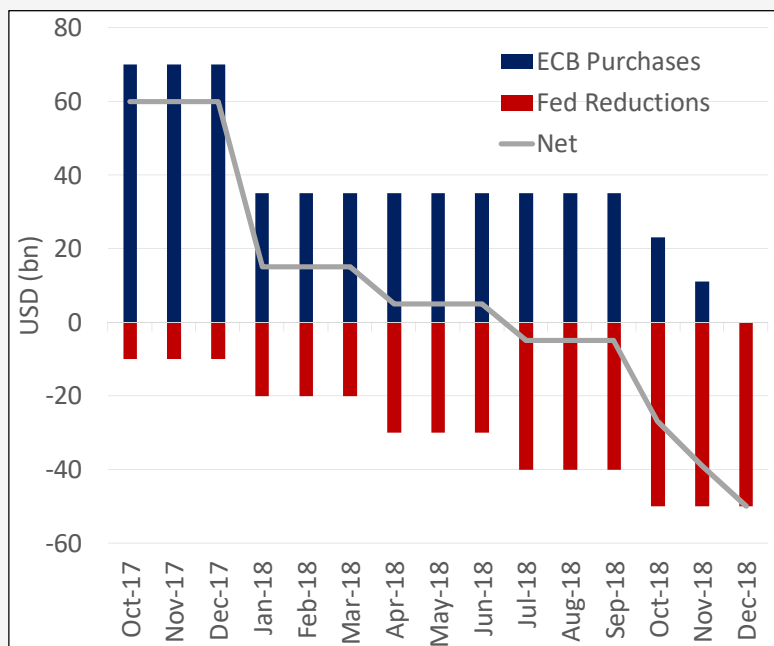


Source: Bloomberg

Goodbye QE, hello QT

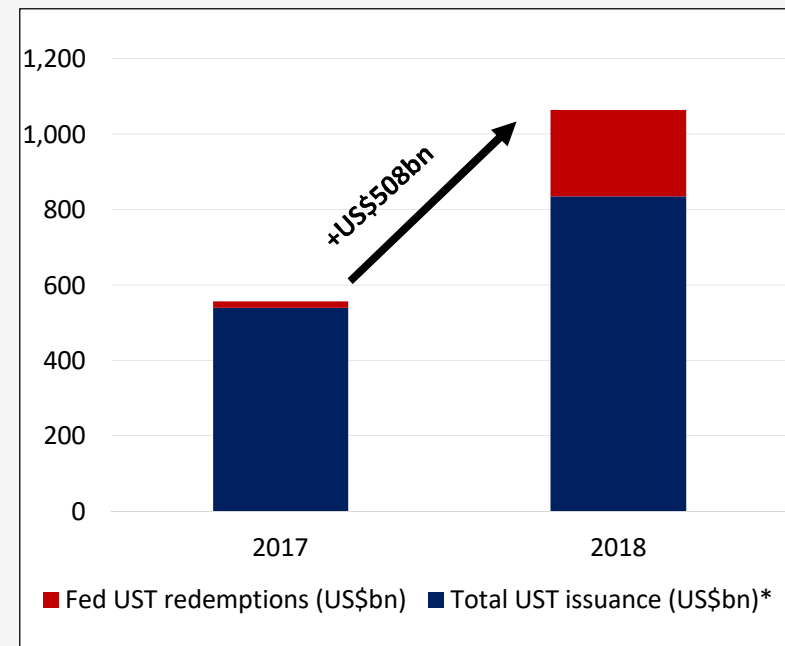
- After a decade of QE, Central Bank action will turn negative in 2018
 - Fed balance sheet redemptions will increase and ECB purchases will cease
- At the same time, increased fiscal deficits will see “issuance” increase
- The combined impact is a ~\$500bn step up in supply of USTs

Fed and ECB purchases/redemptions by month



Source: Double Line Funds, Wells Fargo, Bloomberg

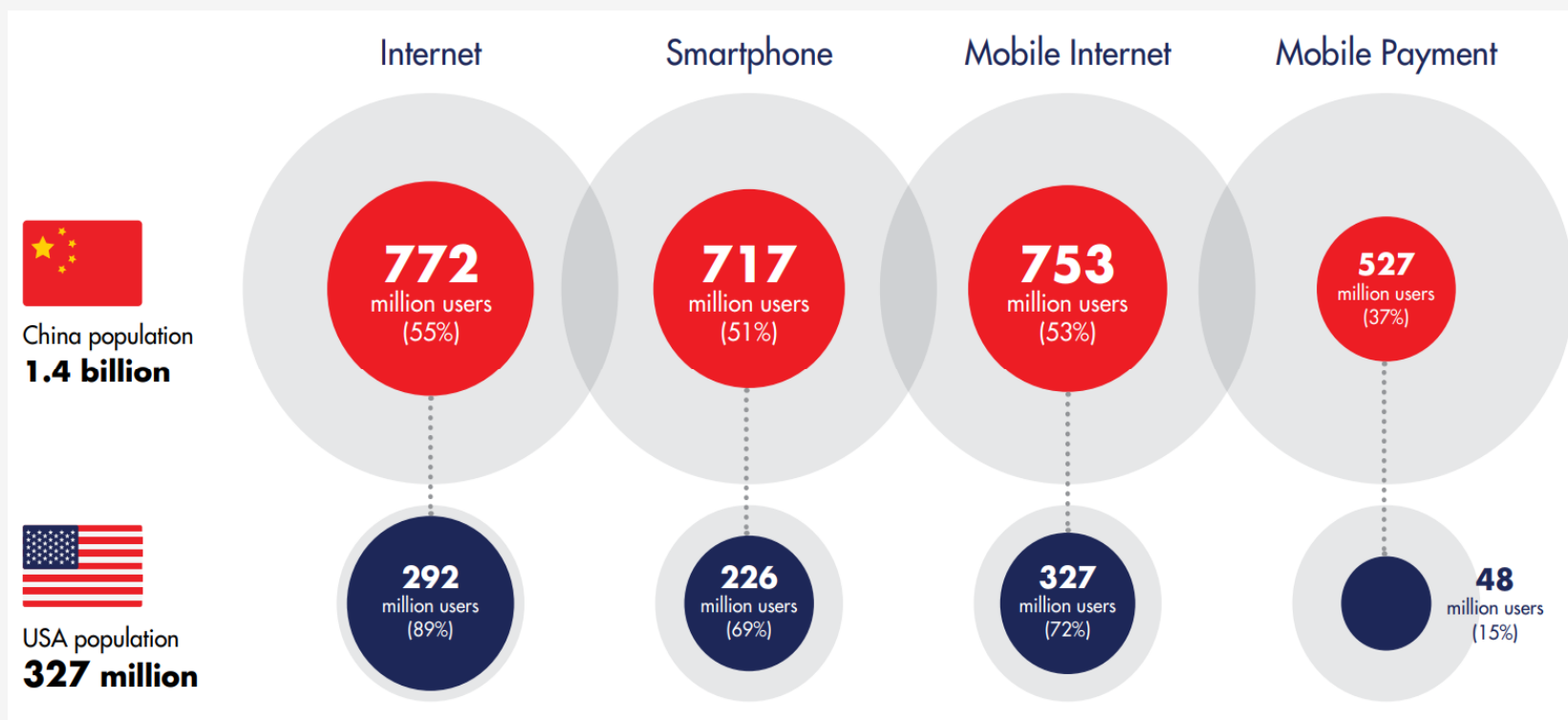
Net “new” supply of USTs



Source: Vanda Research

Asia – where population and technology collide

Even though China's internet penetration is still only 55% there are already 3x the number of smartphone users and 11x the number of mobile payment compared to the US



Source: US Census Bureau, Pew Research, Newzoo, Statista, eMarketer, CNNIC, IMF

Rising Asian Incomes

Rising Asian incomes drive demand for the following:



Financial
Services



Tourism



Luxury Goods



Healthcare



Ecommerce



Education



Mobile Tele-
communications
& Data



Food and
Alcohol

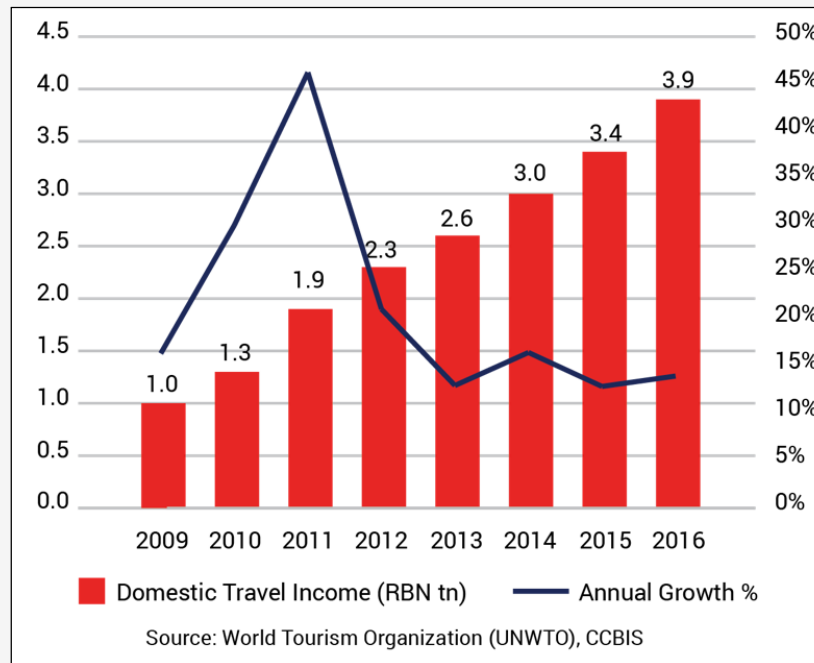


Clean Energy
and
Recycling

China Tourism

China's travel industry grew at a CAGR of 21.5% from 2009-2016 to RMB 3.9trn.

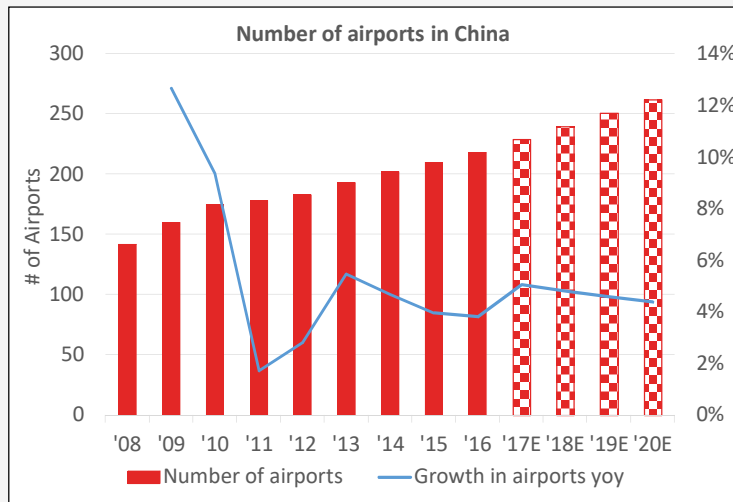
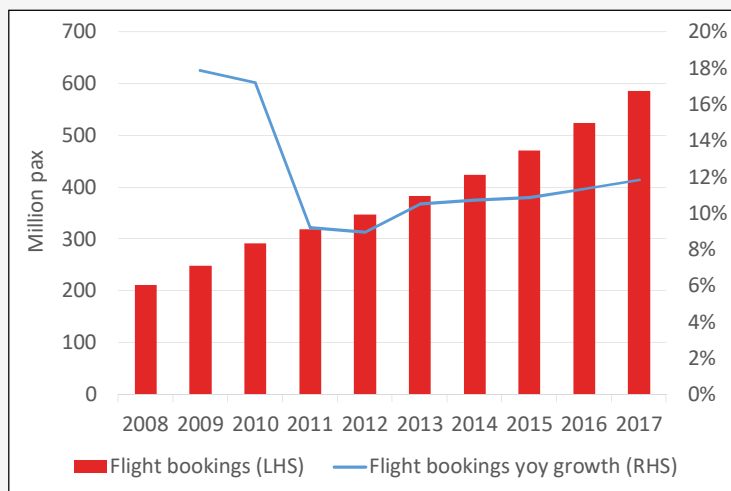
2009-2015 Domestic Tourism Industry Total Revenue



Multiple growth drivers:

- *Supportive government policies*
- *Rising disposable income and expanding middle class*
- *Improving infrastructure: high-speed rail network and a growing number of airports*
- *Increasing demand for outbound travel*
- *Internet and mobile internet services that are facilitating travel bookings*
- *4% of Chinese have a passport vs. 36% in the USA and 60% in Australia*

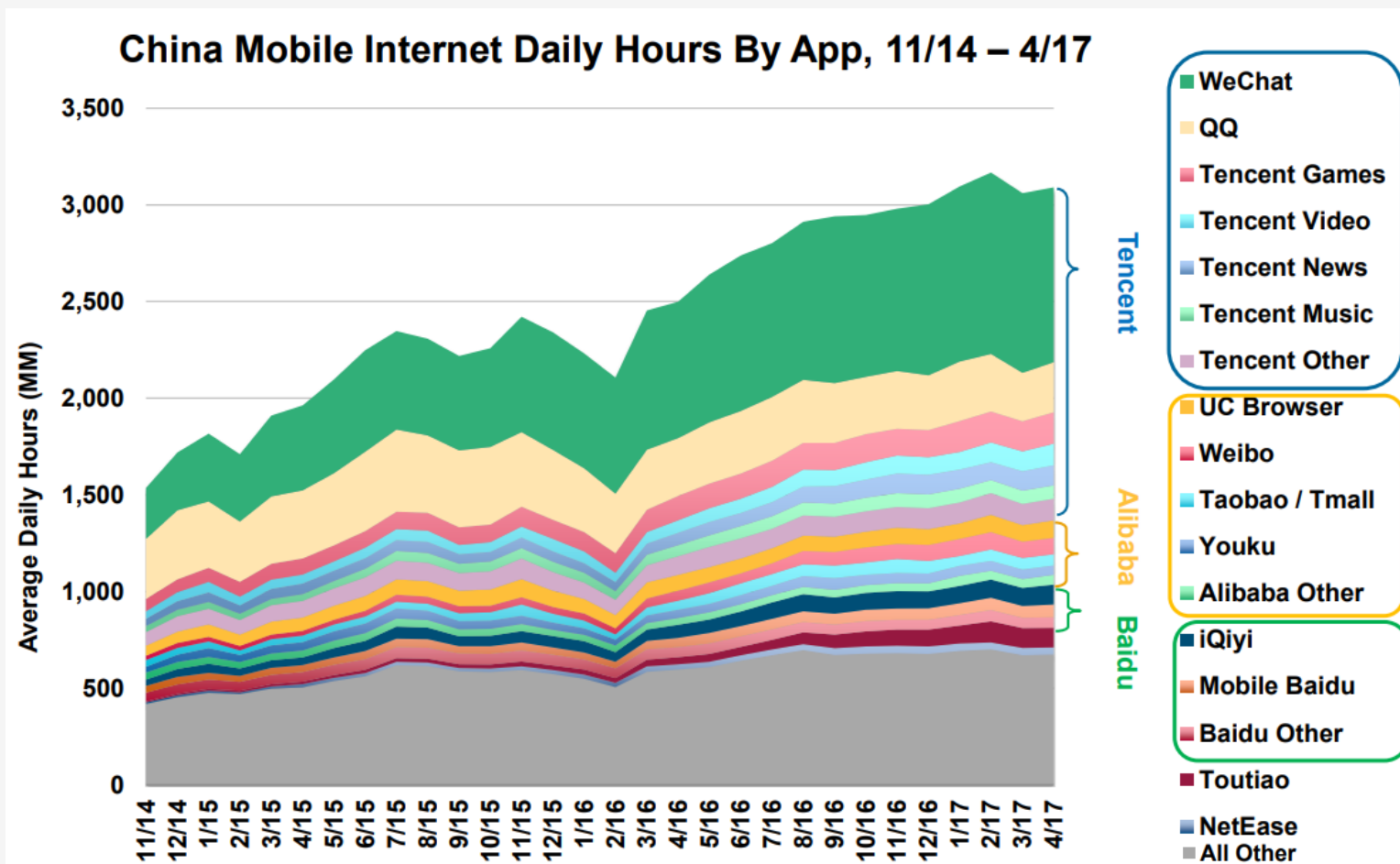
TravelSky – Monopoly GDS provider to Chinese Airlines



- Dominant IT solutions provider to the aviation industry in China. Providing exposure to the long term structural growth in air traffic in China
- Chinese air traffic has grown at a CAGR of 12% for the past decade. Trend growth should remain at >10% pa for the foreseeable future
- Very high barriers to entry (regulatory, network effect and shareholder base)
- China currently has 216 civil airports and has plans in place for a further 60 to be built by 2020
- For reference, China has over 100 cities with >1m population compared to the US with only 9 cities

Tencent – owns China’s mobile eyeballs

China mobile internet usage is dominated by Tencent with over 58% share of Daily Mobile Time Spent.



Source: Questmobile, Hillhouse Capital

Key portfolio holdings – valuation metrics

The following stocks currently comprise approximately 40% of the long portfolio by value

Company	Mkt Cap (US\$bn)	Price to Earnings		EPS Growth next 2 yrs p.a.	PEG Ratio	ROE
		Current Yr	1 Yr Forward			
Tencent Holdings Ltd	479	37.3x	28.1x	31%	1.2	28%
TravelSky Technology Ltd	9	21.4x	18.3x	17%	1.2	16%
Alibaba Group Holding Ltd	492	31.2x	24.1x	52%	0.6	19%
Ping An Insurance Group Co of China Ltd	164	11.0x	9.3x	14%	0.8	19%
Aristocrat Leisure Ltd	15	26.1x	22.0x	29%	0.9	50%
SBI Holdings Inc/Japan	5	10.6x	10.4x	8%	1.4	12%
Average		22.9x	18.7x	25%	1.0	24%
Short positions						
InvoCare Ltd	2.1	26.0x	24.3x	0%	74.2	21%
IOOF Holdings Ltd	4.3	16.6x	14.1x	8%	2.1	12%
Ramsay Health Care Ltd	14.6	19.2x	17.9x	8%	2.4	25%
Average		20.6x	18.8x	5%	N/A	19%

Conclusion

- ▶ Interest rates and inflation have bottomed
- ▶ Central bank balance sheets have peaked
- ▶ Hong Kong is where growth is now value
- ▶ Asian consumer facing structural growth stocks are cheap
- ▶ You'll never overtake anyone driving in the same lane
- ▶ AIM has the global long/short mandate for the times

Fund Structures & Terms

AIM Global High Conviction Fund, an Australian Unit Trust open to wholesale investors.

Minimum Subscription:	A\$100,000 (Retail \$10,000)
Redemptions:	Monthly upon 30 days notice
Benchmark:	MSCI World Index (USD)
Management Fee:	1.5% pa paid monthly in arrears
Performance Fee:	15% paid semi-annually
Accountant:	Ernst & Young
Administrator:	Citco Fund Services
Auditor:	Ernst & Young
Legal Counsel:	Norton Rose Fullbright
Prime Broker:	Morgan Stanley
Pricing:	Monthly

Next fund inflow: Friday 31st August 2018

Contact Us

If you would like further information on the AIM Global High Conviction Fund please contact Charlie Aitken at ca@aimfunds.com.au or Les Andrews at la@aimfunds.com.au or call 02 8379 3750

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