IMAP Webinar Series

So – How's it going in 2023?

International and Domestic Equities

Monik Kotecha – Insync Funds Management
Hamish Tadgell – SG Hiscock
Moderated by
Brad Creighton – North

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IMAP HNW Study

Webinar Series
The advice profession's most valuable clients – Serving the HNW client

HNW Whitepaper

HNW Masterclass
Melbourne 18th July
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Shane Hurst, ClearBridge

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How to ask a Question

So – How's it going in 2023?

Monik Kotecha
Insync Funds Management

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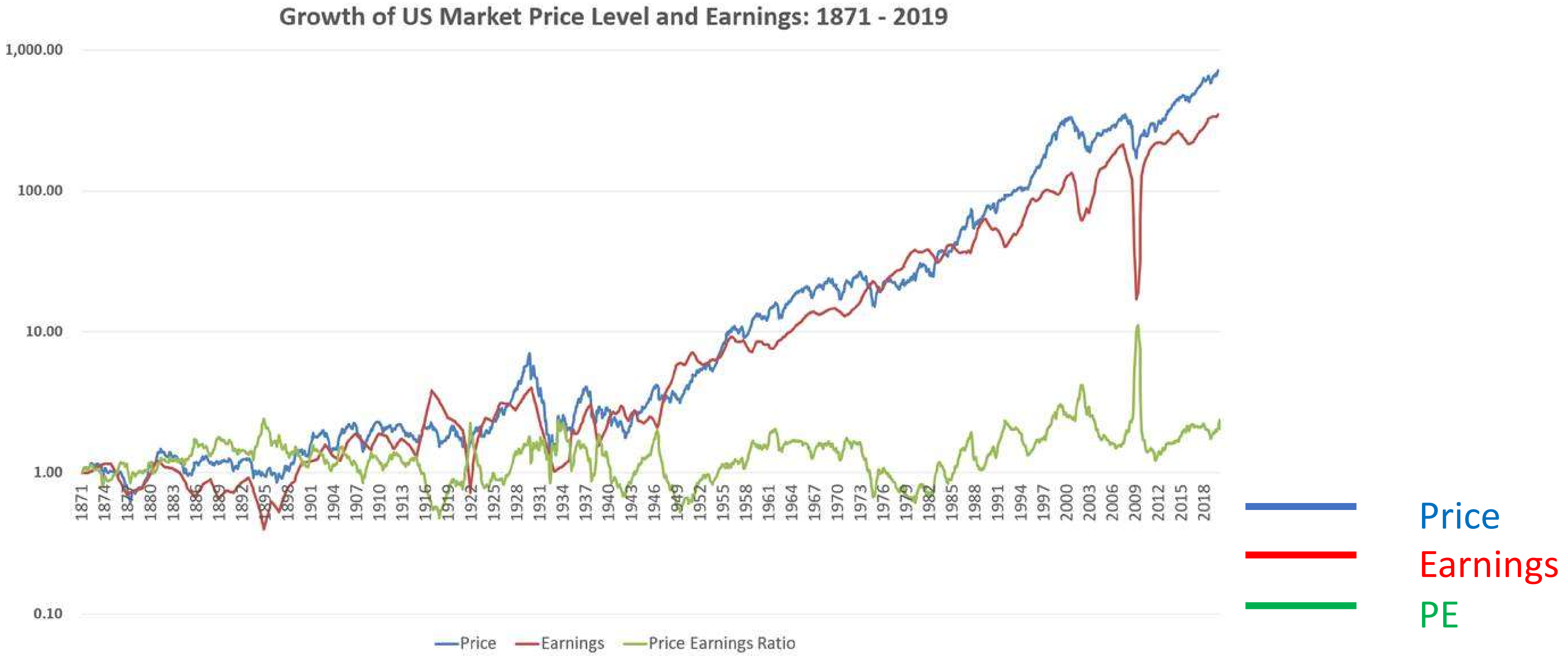
Megatrend investing

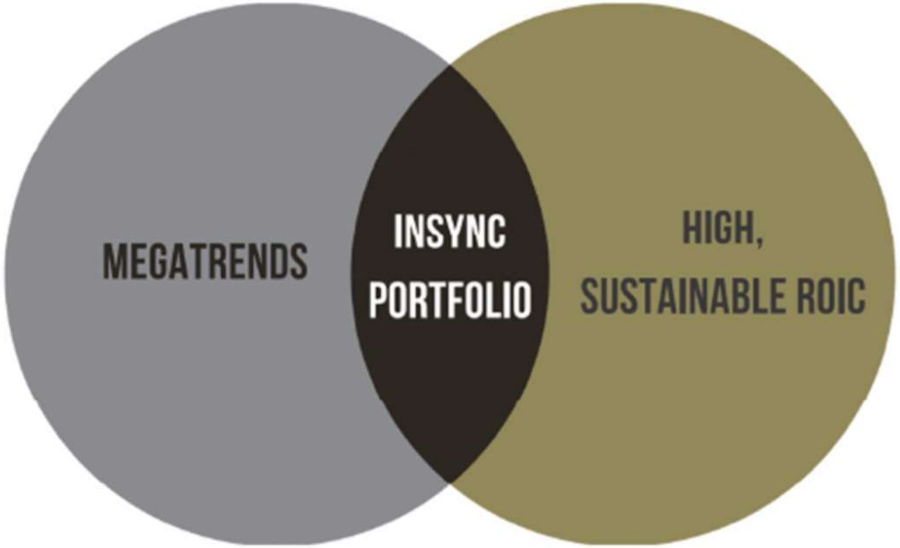
Monik Kotecha - Insync Funds Management

Long Term Price follows Earnings



Insync's Investment Philosophy

Identify very well-run companies exhibiting high sustainable levels of ROIC* backed by long-run Megatrends



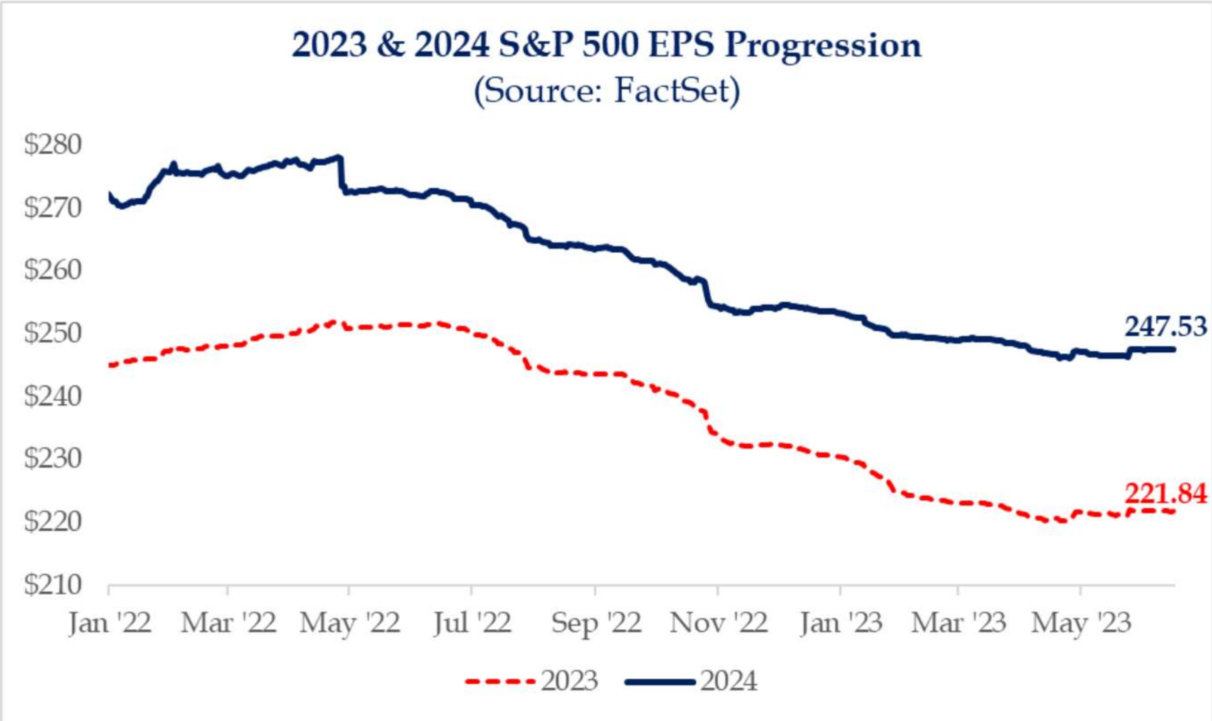
Consensus view frequently wrong

The 'most popular prediction' coming into 2023 was that stocks would tumble during the first half of the year before rallying in the second half.

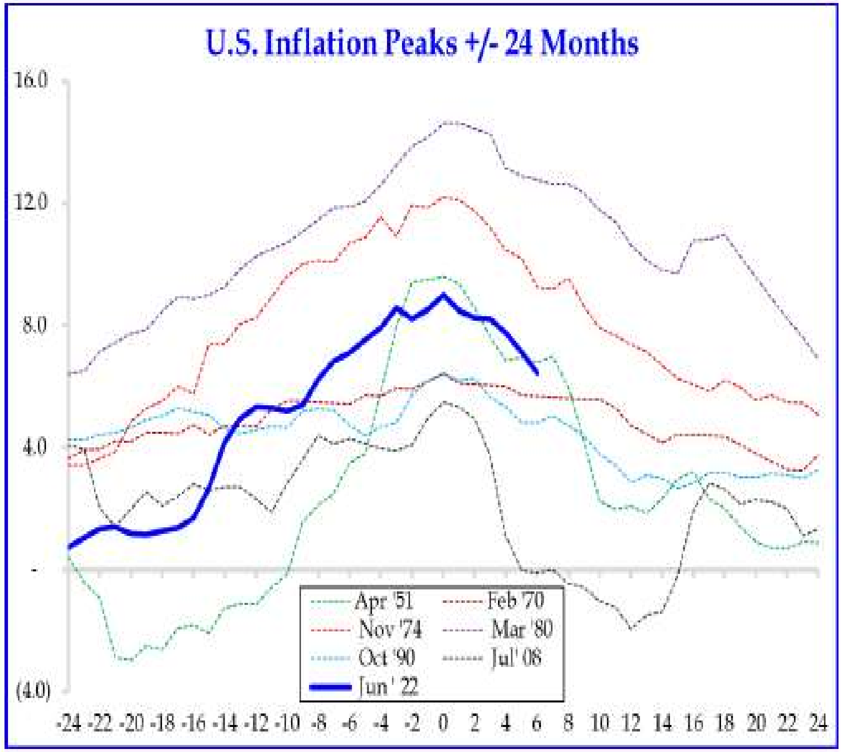
- Fastest rise in interest rates
- Geopolitical tensions – China
- Economic and earnings recession

Earnings Expectations

Discounted a slowdown in the economy



Inflation trends tends to be symmetrical

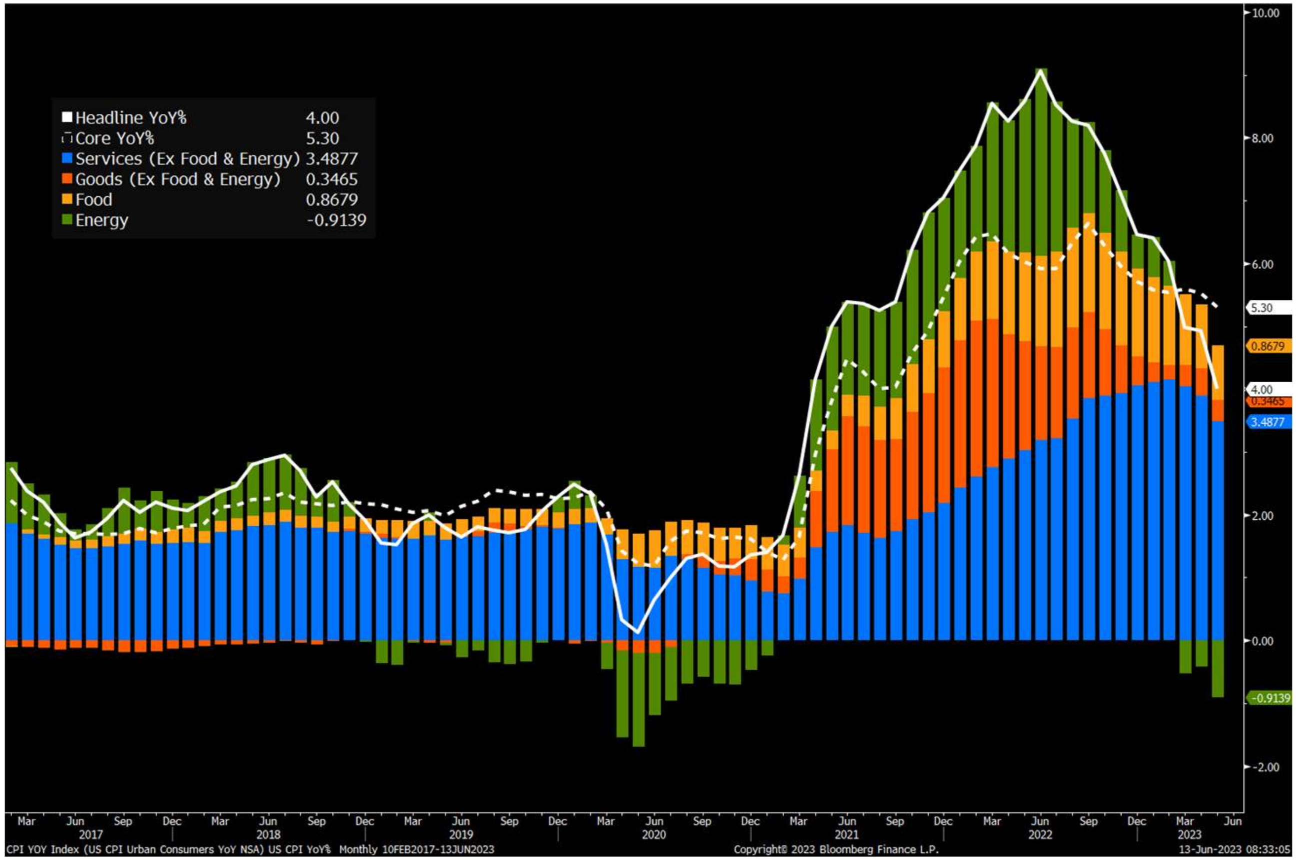


Source: Strategas

Symmetry is evident in this chart. It's not a perfect relationship, but in general the substantial CPI increases are followed by sharp declines. This feature is starting to play out this cycle.

Inflation – Trending down

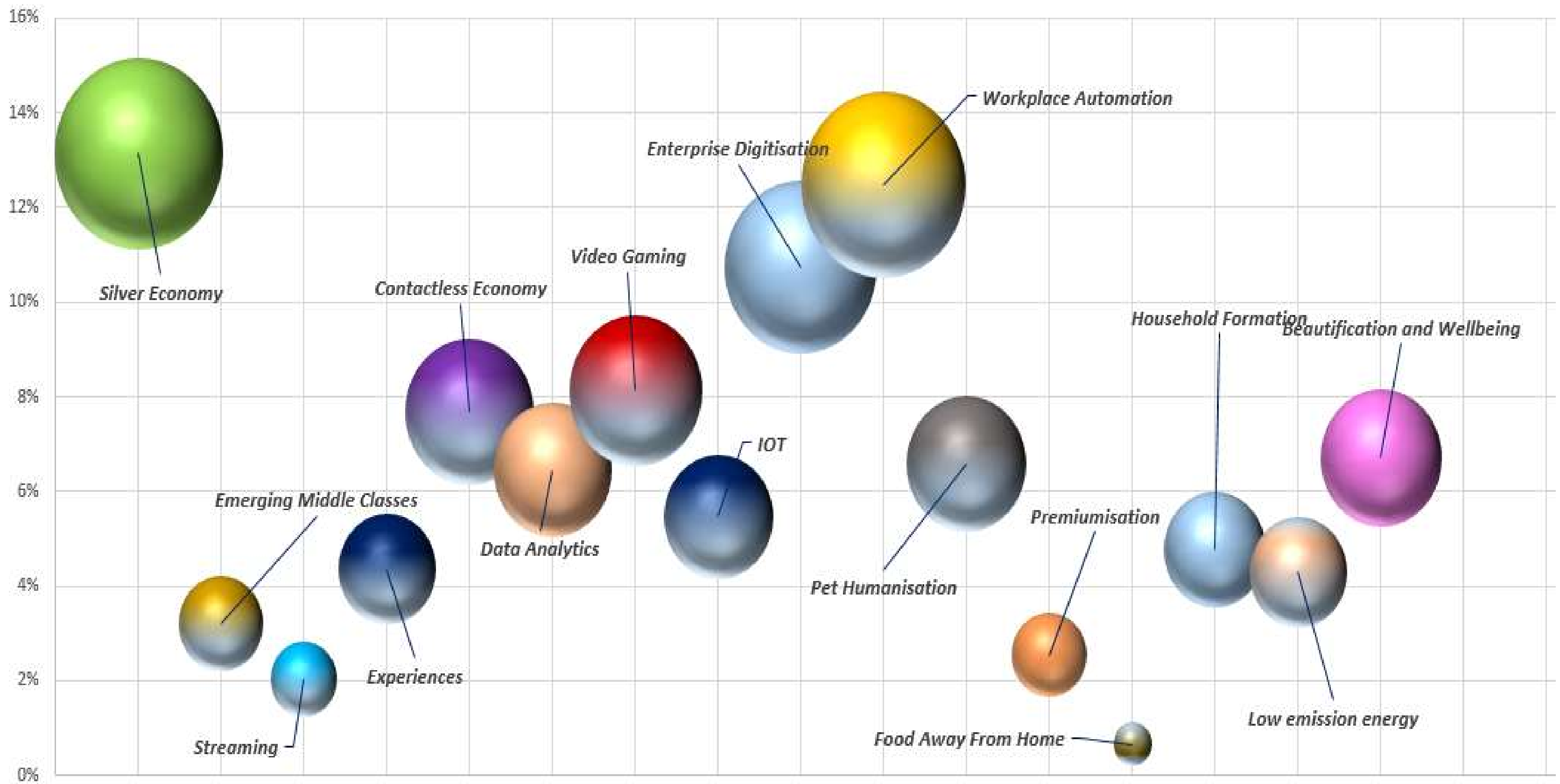
Lagged effects of monetary policy



Positive case for equities

- Inflation will come down as quickly as it has gone up
- The economy has become less likely to go into deep recession
- The Fed has become less hawkish
- AI – Improved growth and efficiency

Megatrends underpin long term sustainable growth



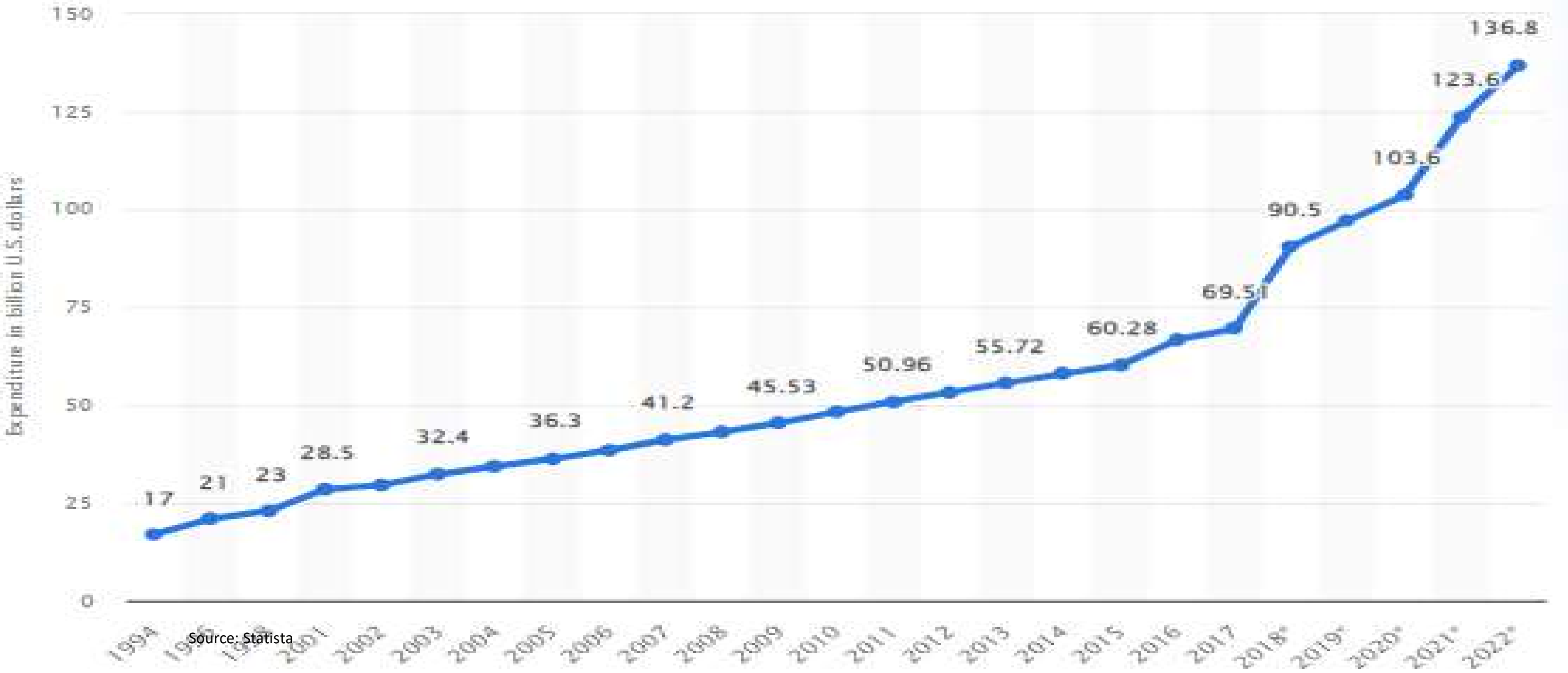
Zoetis – Pet Humanisation Megatrend

Long term share price follows the growth in earnings

Pet Humanisation Megatrend

Accelerating post Covid

Pet industry expenditure in the United States from 1994 to 2022 (in billion U.S. dollars)



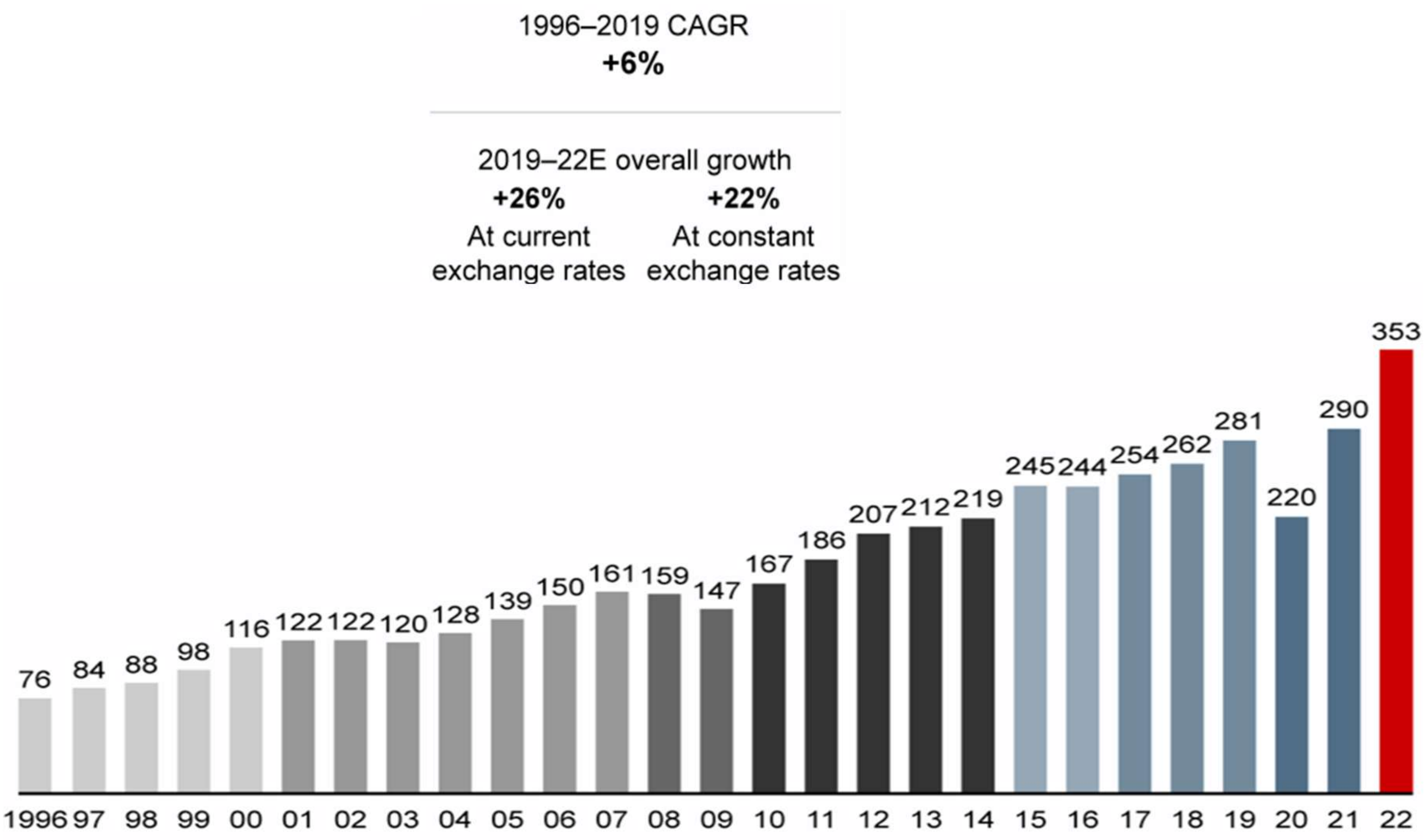
Source: Statista

LVMH (Premiumisation Megatrend)

Long term share price follows the growth in earnings

Premiumisation Megatrend

Global personal luxury goods market 25% higher than 2019 (Bain& Co)

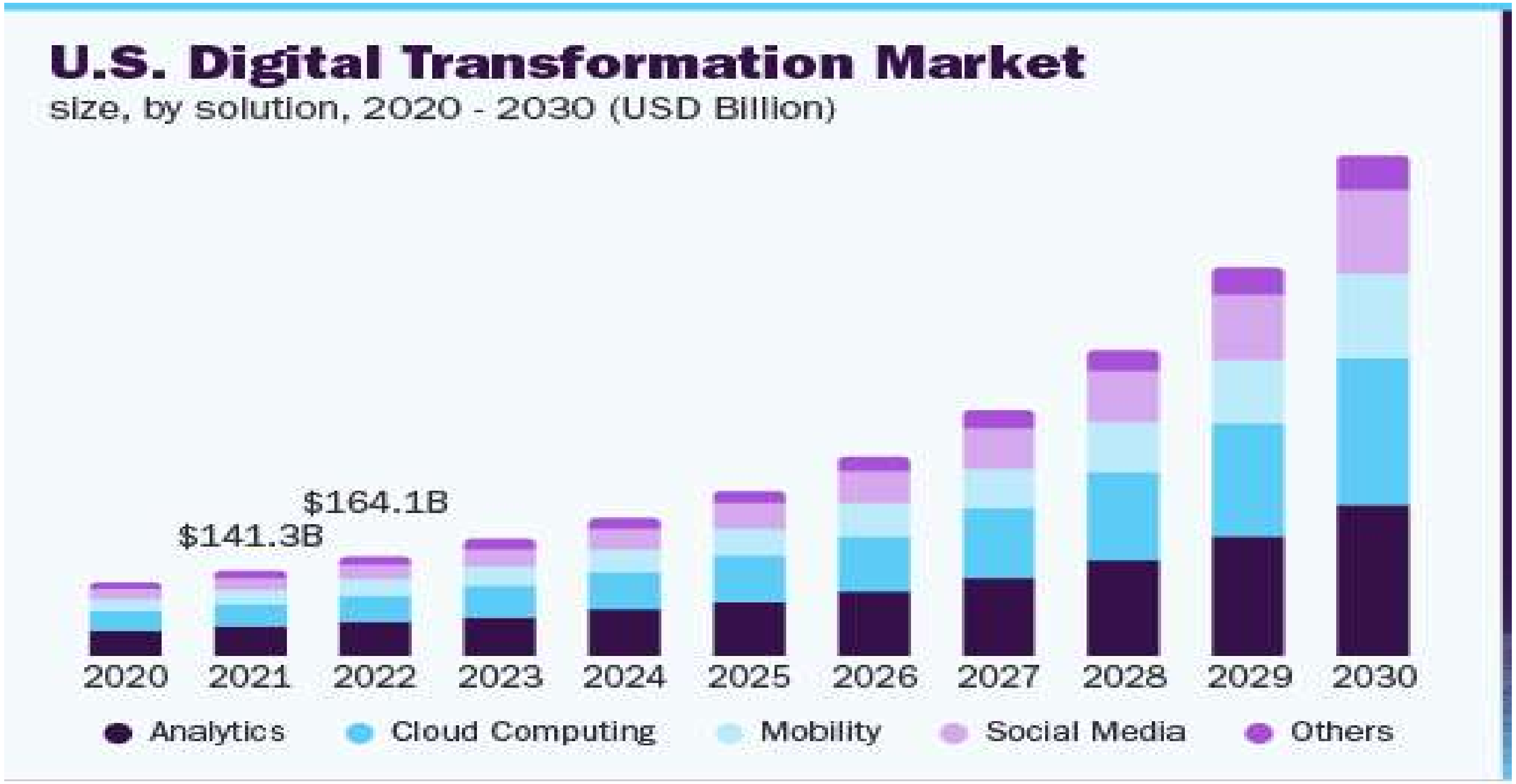


Adobe – Enterprise digitisation megatrend

Long term share price follows the growth in earnings

Enterprise Digitisation Megatrend

23.1% forecasted CAGR in the US between 2023-2030



Source: Grand View Research

Outlook – Set-up for strong returns

- Megatrends have low sensitivity to economic cycles and grow at multiples of GDP
- Portfolio compounding earnings at 12% over next 3 year and valuation discount now sits at >40%
- Secular growth companies with high levels of profitability are relatively well positioned in an environment of higher inflation and slowing economic growth

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Hamish Tadgell
SG Hiscock

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SGH ASX300 Australian Equities

Hamish Tadgell

June 2023

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Important information:

SGH High Conviction Fund

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Uneven economy and narrow market necessitates active management

Navigating a narrow market and uneven economy

	Rising geopolitical uncertainty	Rising cost of capital	Uneven economy	Earnings & margin pressure emerging
World is changing	• Disinflation to inflation • Cheap & plentiful, to scare expensive, labour & energy • Globalization to regional alliances	• Reassessment and of valuations, liquidity, credit flows • Changes behaviour • Increases tail risks (e.g. SVP, Credit Suisse)	• Inflation proving more persistent • Uneven economic impact across the economy • Rate pain felt most by mortgagees	• Margin and earnings impact will be felt unevenly across sectors • Construction, hospitality, retail seeing stress

	Persistent inflation	Reopening & surging migration	Energy transition	Essential services & infrastructure
Tailwinds & themes	• Hardening insurance premium cycle • Defensive consumer • Gold	• Travel & tourism recovery • Student immigration • Housing undersupply	• Renewables • Critical commodities • Service providers	• Essential services • Healthcare

Portfolio Implementation

Persistent inflation	Reopening & Migration	Energy transition	Essential services & Infrastructure
Insurance	**Travel & tourism recovery**	**Renewables**	**Essential services**
QBE, AUB GROUP, iag	Auckland Airport, ctm	Infratil	CHORUS, CLEANAWAY, NEXTDC
Defensive consumer	**Student immigration**	**Critical commodities**	**Healthcare**
endeavour group, Bapcor	idp, medibank	Woodside Energy, Pilbara Minerals, beach	CSL, pro medicus, ResMed
Gold	**Housing undersupply**	**Service providers**	
NORTHERN STAR RESOURCES LIMITED, GOLD ROAD RESOURCES	mirvac, Lifestyle COMMUNITIES, James Hardie	Worley, ALS, Monadelphous	

Questions

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