

16 November 2021

ASX Market Announcements  
ASX Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

**Portfolio Manager's Presentation**

Robert Luciano, Executive Chairman and Portfolio Manager of VGI Partners Limited, will host a webinar at 10:00am (AEDT) today, Tuesday 16 November 2021. Attached is a copy of the presentation to be given.

The focus of the session will be the group's two listed investment companies: VGI Partners Global Investments Limited (ASX:VG1) and VGI Partners Asian Investments Limited (ASX:VG8). Mr Luciano and senior members of the VGI Partners Investment Team will provide an update on the portfolios, while Mr Jonathan Howie (Chief Executive Officer of VGI Partners Limited) will discuss operational aspects.

Please pre-register for the webinar or the call to avoid delays.

If you pre-register and do not receive a confirmation email, please check your spam or junk mail folder.

Webinar link: <https://services.choruscall.com.au/webcast/vgi-bcqncnch0n.html>

Input your name, email and company to register. The webinar will be interactive, with questions able to be submitted online during the event. Please use the "Ask a Question" box to type any question you would like addressed. Questions for the VGI Partners team, or queries about the event, can also be pre-submitted to [events@vgipartners.com](mailto:events@vgipartners.com).

A recording will be available on the VG1 website at [www.vgipartners.com/lics/vg1](http://www.vgipartners.com/lics/vg1) after the event.

To pre-register for the listen-only conference call: <https://s1.c-conf.com/diamondpass/10016948-fh56n1.html>

**Authorised for release by:**

Ian Cameron, Company Secretary

**Investor contact information:**

Ingrid Groer, CFA  
Head of Investor Relations  
VGI Partners Global Investments Limited  
Phone: 1800 571 917 (inside Australia)  
+61 2 9237 8923 (outside Australia)  
Email: [investor.relations@vgipartners.com](mailto:investor.relations@vgipartners.com)

VGI  
PARTNERS

# VG1 & VG8: Global & Asian Listed Investment Company Updates

16 November 2021

VGI  
PARTNERS

# VGI Partners

The Manager

## Concentrated on Compounding Wealth

### Our Investment Philosophy

---

› Absolute return focus – 10-15% p.a. compounding target, through the cycle

---

› A long-term investment horizon provides a competitive advantage

---

› Avoid permanent loss of capital

---

› Deep research results in highly concentrated portfolios

---

› Size of FUM allows for broad opportunity set

---

› We are stewards of capital – total staff alignment with investors

## **Differentiated Portfolios of High-Quality Companies with Strong Growth Potential**

Many of our holdings are not well known to the Australian market. We also invest in familiar global brands that Australian investors are unlikely to hold in other strategies.

### **VGI Partners Global Investments Limited**

**ASX: VG1**



A global share portfolio concentrated on finding high-quality companies with long growth runways

### **VGI Partners Asian Investments Limited**

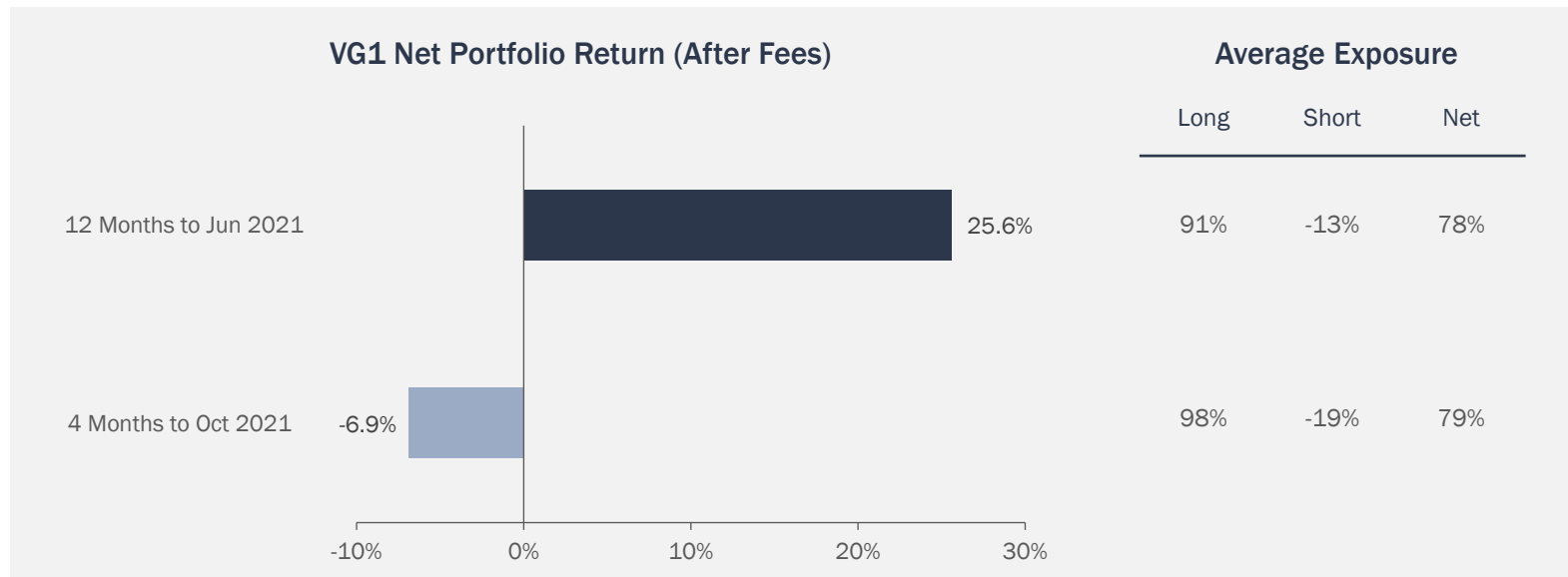
**ASX: VG8**



A global share portfolio concentrated on the world's growth engine – Asia

# VGI Partners Global Investments Limited (ASX: VG1)

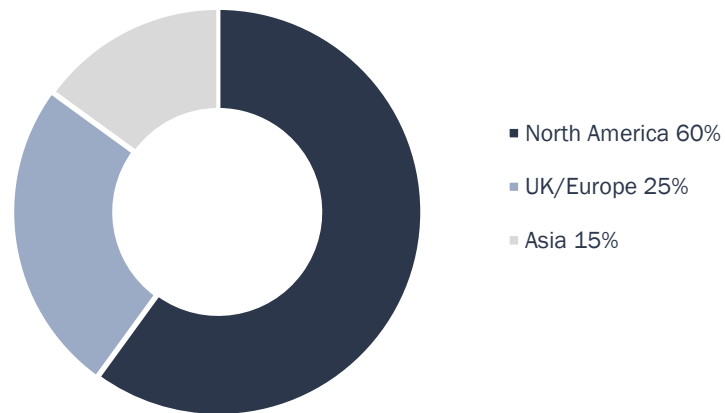
## VG1 Net Portfolio Returns



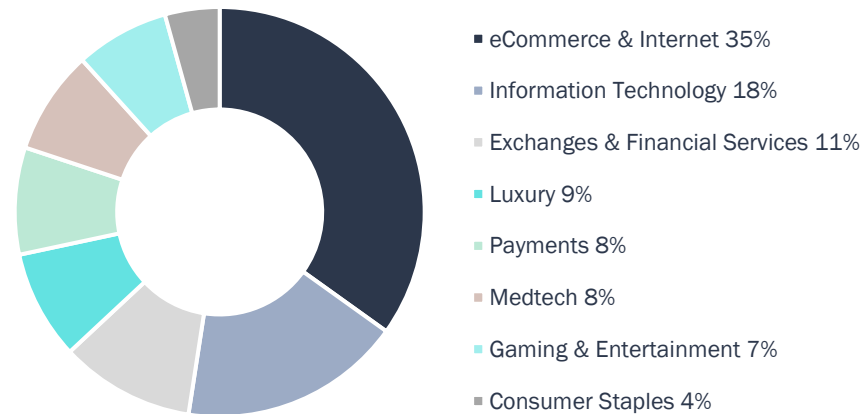
## Global Portfolio Update

As at 31 October 2021

Long Portfolio by Location of Exchange Listing<sup>1</sup>



Long Portfolio by Sector



<sup>1</sup> Asia includes ASX-listed securities.

Source: VGI Partners, Bloomberg. Sectors have been internally defined.



## Global Portfolio as at 31 October 2021

Top 10 Long Investments	Sector	% of Portfolio	Overview
 <b>amazon</b>	eCommerce & Internet	15%	Global e-commerce, dominant cloud computing; reinvestment enhancing moat
 <b>CME Group</b>	Exchanges & Fin Services	8%	World's largest derivatives exchange; monopoly in interest rate derivatives; beneficiary of a pick-up in inflation
 <b>RICHEMONT</b>	Luxury	7%	Cartier / Van Cleef jewellery business; misunderstood online business
 <b>mastercard</b>	Payments	7%	Global duopoly; beneficiary of ongoing shift to digital payments; fintech enabler
 <b>SAP</b>	Information Technology	7%	World's largest enterprise application software provider; beneficiary of shift to cloud
 <b>OLYMPUS</b>	Medtech	7%	Global leader in gastrointestinal endoscopes; long-term secular tailwinds; governance transformation
 <b>Pinterest</b>	eCommerce & Internet	6%	Leading digital destination; accelerating monetization; high user purchase intent
 <b>qualtrics</b> <sup>XM</sup>	Information Technology	6%	Experience management software; sustained growth opportunity
 <b>GROUPE FDJ</b>	Gaming & Entertainment	4%	French monopoly lottery operator; former govt owned; early in the shift to online betting
 <b>Yakult</b>	Consumer Staples	3%	Global brand; global distribution; self-help story
<b>Total</b>		<b>70%</b>	

## CME Group

### Portfolio Holding Update

- › Derivatives exchange with an **effective monopoly** in the trading of US interest rate derivatives
- › **Dominant** position in the trading of global commodities, foreign exchange, equity index and energy derivatives
- › We are **optimistic** that **record levels of issuance** by the US Treasury will **provide a tailwind** for trading interest rate derivatives
- › We believe the business model is **extremely well positioned** for any pick-up in **interest rate volatility**, which would lead to acceleration of earnings growth well above market expectations

Size of the US Treasury Market<sup>1</sup> (2007-2030E)



<sup>1</sup> Debt held by the public.

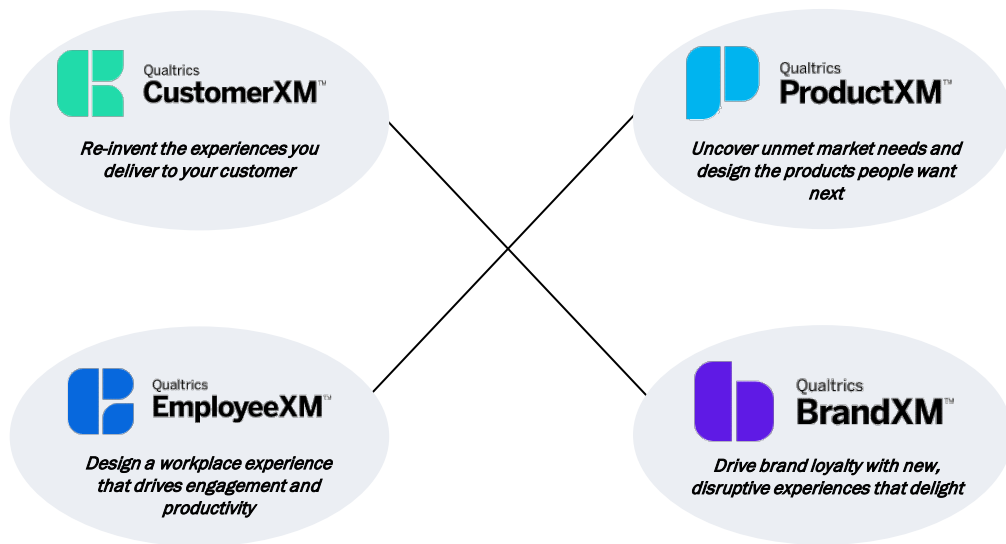
Source: Congressional Budget Office (CBO), Redburn.

## Qualtrics Portfolio Holding Update

- › **Global leader** in experience management, a new software category
- › Helps clients **collect, analyse, interpret and act** on the vast amount of data they are receiving – this all happens in **real time**
- › Primary use cases today are customer data and employee data but continue to expand uses
- › **Experience management will be a critical area** for large enterprises in the future, similar to having CRM or HR software
- › Spin-out from SAP, **founder-led**
- › Acceleration of free cash flow generation which is exceeding expectations

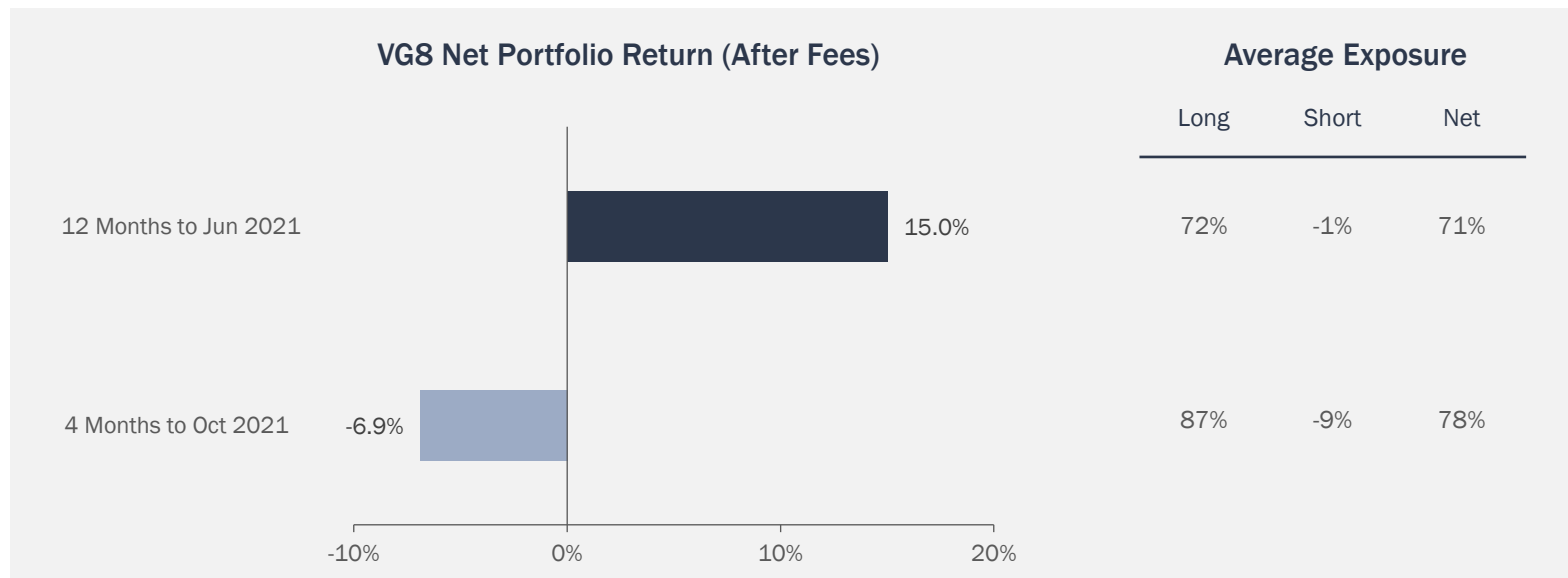
qualtrics<sup>XM</sup>

### Design + improve the four core experiences



# VGI Partners Asian Investments Limited (ASX: VG8)

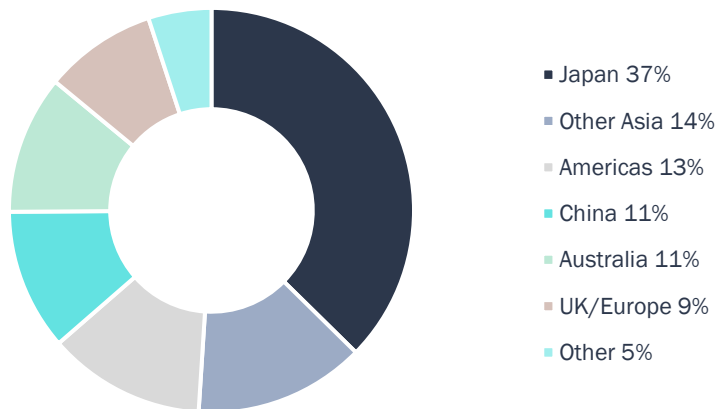
## VG8 Net Portfolio Returns



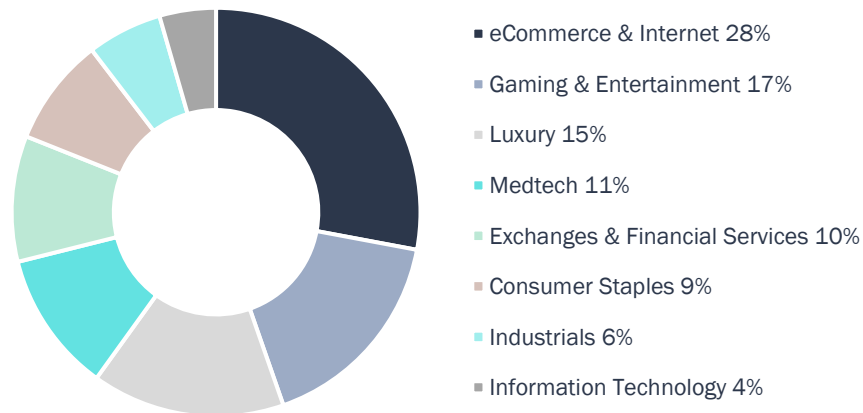
## Asian Portfolio Update

As at 31 October 2021

Long Portfolio by Regional Exposure – Proxied by Revenue<sup>1</sup>



Long Portfolio by Sector



<sup>1</sup> The revenue mix of each equity investment has been used as a proxy for regional exposure.  
Source: VGI Partners, Bloomberg. Sectors have been internally defined.

## Asian Portfolio Update as at 31 October 2021

Top 10 Long Investments	Sector	% of Portfolio	Overview
	Luxury	11%	Cartier / Van Cleef jewellery business; misunderstood online business
	Medtech	8%	Global leader in gastrointestinal endoscopes; long-term secular tailwinds; governance transformation
	eCommerce & Internet	8%	Japan's largest e-commerce platform; synergistic ecosystem of related Internet and fintech businesses; significant opportunity to harness large subscriber base
	Exchanges & Fin Services	6%	Monopoly stock and derivative exchange operator; product expansion opportunity
	Consumer Staples	6%	Global brand; global distribution; self-help story
	eCommerce & Internet	6%	Dominant e-commerce platform in China; leader in global trends; strong expansion plans
	Gaming & Entertainment	5%	Gaming and entertainment group; strategic monopoly assets; temporary regulatory scrutiny provides opportunity
	Gaming & Entertainment	5%	Global interactive entertainment pioneer; shift to recurring digitally-derived revenue; monetisation of world-class intellectual property
	Industrials	4%	Diversified technology company with strength in electric vehicle batteries; transitioning towards a leaner cost structure and software revenue streams
	eCommerce & Internet	3%	Leading C2C marketplace in Japan; reinvestment to drive long-term growth
<b>Total</b>		<b>62%</b>	

## **China Update**

### **Regulatory Impacts**

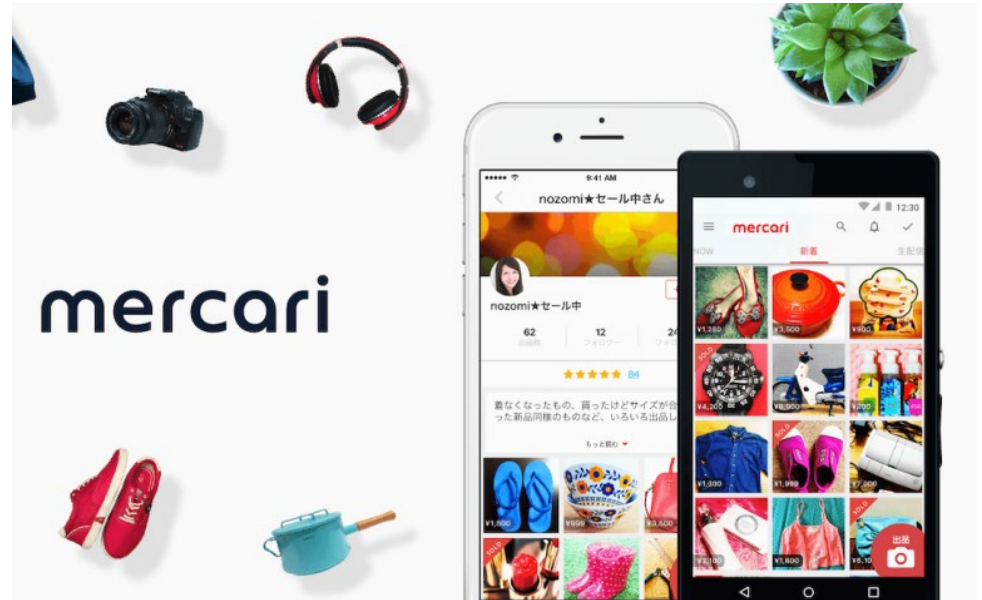
- › In late 2020, we sold our holdings in Alibaba Group and Tencent Holdings. We wrote in our January 2021 newsletter that “despite being great businesses, we felt (Alibaba and Tencent) were not being priced for the increased regulatory risk”. We retained a small position in Ping An Healthcare & Technology.
- › During 2021, following the announcement of anti-monopoly fines and a decline in their share prices, we repurchased Alibaba Group and Tencent Holdings.
- › We also added Tencent Music Entertainment Group (TME) but later exited this position, as well as Ping An Healthcare & Technology, after subsequent regulation materially changed the environment in which they operate. Losses in these positions have contributed to the negative return in VG8 since July.
- › The fund retains its holdings in Alibaba Group and Tencent Holdings. It is our view that these are high-quality businesses with significant competitive advantages due to their scale network effects and diversified earning streams.
- › We will continue to watch the evolving situation in China closely for both risks and further investment opportunities.



## Mercari

### Portfolio Holding Update

- Mercari is Japan's **leading marketplace to buy and sell second-hand products**
- 20m monthly active users (MAUs) in Japan; 5m MAUs in the US
- Growing market share has continued to fuel **the depth of the liquidity pool**
- Mercari continues to **expand its addressable market** domestically by adding new categories and targeting new demographics
- Carved out a strong niche position in the US as a leading second-hand goods marketplace
- Current valuation is underpinned by its **highly cashflow-generative domestic marketplace** – and its **pipeline of growth opportunities** such as Mercari US and Mercari Shop (B2C) represent further valuation upside

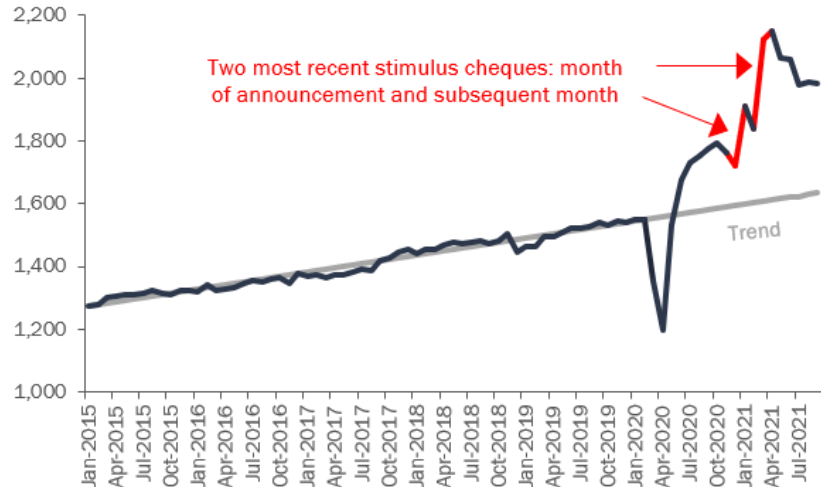


# Short Thematics

## Short Thematic – Durable Consumer Goods Portfolio Holding Update

- › Goods consumption surged during COVID-19 as expenditure shifted away from services such as restaurants and travel. This effect was amplified in the US by stimulus cheque payments to households.
- › Some durable goods companies now trade on extended valuations that imply earnings will continue to expand at these recently elevated rates - particularly within sporting, recreational and do-it-yourself goods.
- › We expect some goods spend will shift back towards services.
- › A number of companies face weaker sales trends and pricing pressure as built-up inventory levels are discounted to clear.

US Durable Goods Personal Consumption Expenditure  
(US\$bn, Seasonally Adjusted Annual Rate)

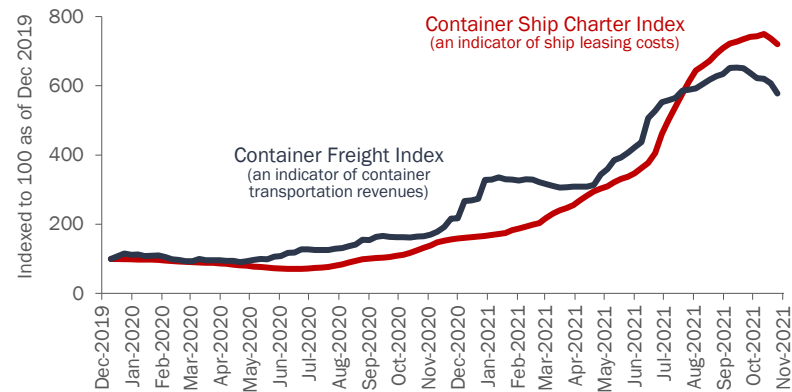


Source: U.S. Bureau of Economic Analysis. Trend has been extrapolated from 2015 to 2019 actual data.

## Short Thematic – Container Shipping Lines Portfolio Holding Update

- **Container Shipping Lines** have also risen to extended valuations as the inflow of goods into the US overwhelmed supply chains and led to a rise in freight rates (an indicator of revenue for container shipping liners).
- Freight rates have recently fallen from peak levels. We anticipate this will continue, as goods expenditure normalises and unprecedented efforts to improve supply chain capacity come into effect.
- As revenues decline for the shipping lines, their ship leasing costs will remain elevated, as average contract periods have recently doubled to 2 years at rates that are 7x pre-COVID levels.

### Ship Charter Costs Have Grown More than Freight Prices since 2019



Source: WCI Composite Container Freight Benchmark Rate per 40 foot box, Container Ship Time Charter Assessment Index (both via Bloomberg).

# Shareholder Initiatives

## Key VG1 and VG8 Initiatives

### 1. VG1 and VG8 Dividend Policy Targets

- › Intention to target a fully franked dividend yield of 4% p.a.
- › VG1 final FY21 dividend of 5.5c fully franked; VG8 final FY21 dividend of 5.5c fully franked

### 2. Enhanced Adviser Relations and Shareholder Communication

- › Hire of CEO and Sydney-based Head of Distribution to accelerate adviser engagement
- › Monthly Net Tangible Asset (NTA) statement includes Top 10 Long positions (70% of VG1 NTA, 62% of VG8 NTA) and enhanced commentary
- › Quarterly portfolio update webcasts with the Senior Investment Team

### 3. Capital Management

- › VG1 on-market buy-back announced in August 2020 – over 26m shares or 6.5% of VG1 capital has been bought back
- › VG1 buy-back extended in August 2021 for a further 12 months – currently paused

### 4. Review

- › Currently ongoing – completion targeted for first quarter of calendar 2022

## **Shareholder Engagement for VG1 and VG8**

### **Please Elect Electronic Communications to Stay Informed**

- 
- › Quarterly portfolio briefings
  - › Monthly NTA commentary
  - › Investor Letter each January and July
  
  - › Annual national roadshow each October
  - › AGM in November
- 
- › Independent Research
    - › Zenith
    - › Independent Investment Research (IIR)

#### **Investment Director – Distribution (for Financial Advisers)**

Matthew Newham

Mobile: +61 481 187 178

Email: [matthew.newham@vgipartners.com](mailto:matthew.newham@vgipartners.com)

#### **Investor Relations Manager – Distribution (Qld/WA/SA Advisers)**

Rachel Elfverson

Mobile: +61 409 464 728

Email: [rachel.elfverson@vgipartners.com](mailto:rachel.elfverson@vgipartners.com)

#### **Head of Investor Relations**

Ingrid Groer, CFA

Phone: 1800 571 917 (inside Australia)

+61 2 9237 8923 (outside Australia)

Email: [investor.relations@vgipartners.com](mailto:investor.relations@vgipartners.com)

# Questions



## VGI Partners Office Locations

### Sydney

---

VGI Partners Limited  
ABN 33 129 188 450  
39 Phillip Street  
Sydney NSW 2000  
Australia  
[www.vgipartners.com](http://www.vgipartners.com)

### New York

---

VGI Partners, Inc.  
600 Madison Avenue  
Suite 2101  
New York, NY 10022  
USA

### Tokyo

---

VGI Partners Limited  
Representative Office  
Level 8 Tri-Seven Roppongi  
7-7-7 Roppongi Minato-ku  
Tokyo 106-0032  
Japan

# Appendix

## Portfolio Construction Process

### Identify unique businesses

Earnings growth is the driver of stock performance – we call businesses with consistent earnings growth **compounders**

We think there are three things which count

- i. **Secular growth** – as industries stagnate, competition takes over and compresses returns
- ii. **Moat** – high-growth, high-return businesses inevitably attract competition
- iii. **Management** – as an industry evolves, a high-quality, long-term focused, management team can help navigate these currents

### Analyse

- › Build detailed model using VGI Partners' proprietary template
- › Assess against checklist
- › Meet with management, customers, suppliers, competitors
- › Active and continuous **red teaming**, a culture of yes men is dangerous

### Build portfolio

- › **Concentrated** long investments: Typically, top 5 holdings represent c.40-50% of the portfolio
- › **Select short** positions: Short positions provide **downside protection** while also generating a positive expected return
- › **Use of cash** to manage risk and provide optionality. Very **limited use of leverage**

## VG1 Investment Guidelines

Exposure	
Number of Long Investments	Typically 10-25 (10-15 Core)
Concentration of Long Investments	Top five 40-50% of NAV on average
Average Size of Long Investments	Start at 1-3% and build to 4-10% of Portfolio's NAV
Single Security Long Investment Limit	15% at purchase; maximum of 20%
Number of Short Equity Positions	Typically 10-35
Average Size of Short Equity Positions	Start at 0.5% and build to 1-2% of Portfolio's NAV
Single Security Short Equity Position Limits	5% at purchase; maximum of 7.5%
Net Equity Exposure Limits	Limited to 100% of Portfolio's NAV; typically between 50-100%
Gross Exposure Limits	Maximum of 150% of Portfolio's NAV; typically between 80-120%

## VG8 Investment Guidelines

Exposure	
Number of Long Investments	Typically 15-30
Concentration of Long Investments	Top ten 40-50% of NAV on average
Average Size of Long Investments	Start at 1-2% and build to 4-8% of Portfolio's NAV
Single Security Long Investment Limit	8% at purchase; maximum of 20%
Number of Short Equity Positions	Typically 5-25
Average Size of Short Equity Positions	Start at 0.5% and build to 1-2% of Portfolio's NAV
Single Security Short Equity Position Limits	5% at purchase; maximum of 7.5%
Net Equity Exposure Limits	Limited to 100% of Portfolio's NAV; typically between 50-100%
Gross Exposure Limits	Maximum of 150% of Portfolio's NAV; typically between 70-120%

**Disclaimer:**

VGI Partners Limited (ABN 33 129 188 450) (VGI Partners) is the holder of an Australian Financial Services Licence (No. 321789) and is SEC Registered. VGI Partners is the manager of VGI Partners Global Investments Limited (VG1) (ABN 91 619 660 721). VGI Partners Asian Investments Management Pty Ltd (ABN 84 635 179 538), a subsidiary of VGI Partners, is the manager of VGI Partners Asian Investments Limited (VG8) (ABN 58 635 219 484).

The information in this document (Information) has been prepared for general information purposes only and without taking into account any recipient's investment objectives, financial situation or particular circumstances (including financial and taxation position). The Information does not (and does not intend to) contain a recommendation or statement of opinion intended to be investment advice or to influence a decision to deal with any financial product nor does it constitute an offer, solicitation or commitment by VGI Partners, VG1 or VG8.

The Information contains certain forward-looking statements that involve a number of risks and uncertainties. VGI Partners, VG1 and VG8 have based any forward-looking statements on current expectations and projections about future events, based on the information currently available to them. Recipients are cautioned not to place undue reliance on these forward-looking statements. Whilst due care has been used in the preparation of forward looking statements, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside VGI Partners', VG1's and VG8's control. Past performance is not a reliable indication of future performance.

It is the sole responsibility of the recipient to consider the risks connected with any investment strategy contained in the Information. Neither VGI Partners, VG1 nor VG8 nor any of their related parties, respective directors, employees, officers or agents accepts any liability for any loss or damage arising directly or indirectly from the use of all or any part of the Information. Neither VGI Partners, VG1 nor VG8 represent or warrant that the Information in this document is accurate, complete or up to date and accepts no liability if it is not. Neither VGI Partners, VG1 nor VG8 is under an obligation to update the Information and neither undertakes to do so. VGI Partners, VG1 and VG8 all strongly suggest that investors obtain professional advice prior to making an investment decision.

The Information may not be reproduced, disseminated, quoted or referred to, in whole or in part, without the express consent of VGI Partners, VG1 and VG8. This document is dated 16 November 2021.