

20 October 2022

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

VG1 Investor Update Presentation

VGI Partners Chief Investment Officer Robert Luciano, will host a webinar today, Thursday 20 October, at 12pm (AEDT). Attached are the presentation slides.

Please [follow this link](#) to register.

Robert will be joined by Marco Anselmi from the VGI Partners investment team, where together they will share their insights into the current market environment, how the VG1 portfolio is currently positioned, and recent changes made across both the long and short books.

In addition, following the June 2022 merger of VGI Partners and Regal Funds Management (to form Regal Partners Limited), we're delighted to formally introduce Regal Partners CEO and Managing Director, Brendan O'Connor, along with Rebecca Fesq, Head of Client Business for Regal Partners. They will provide additional detail on the recent changes and steps being undertaken to assist with the on-market share price of VG1.

Submit your questions

The webcast will be followed by a Q&A. We encourage attendees to submit their questions in advance to enable the team to respond to as many questions as possible. This can be done by registering to attend the webinar and submitting your question when prompted.

Webcast details and registration

Date: Thursday 20 October 2022

Time: 12pm (AEDT)

Duration: Approx 45 mins

[REGISTER](#)



Authorised for release by:

Ian Cameron, Company Secretary

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VGI Partners Global Investments Limited (ASX: VG1)

20 October 2022

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Speakers



Robert Luciano

Chief Investment Officer
VGI Partners



Marco Anselmi

Portfolio Manager
VGI Partners



Brendan O'Connor

Chief Executive Officer
Regal Partners



Rebecca Fesq

Head of Client Business
Regal Partners

Agenda

- 1 Introduction to Regal Partners Limited**
Brendan O'Connor
- 2 Market Observations & VG1 Portfolio Update**
Robert Luciano & Marco Anselmi
- 3 Q&A**
All speakers



Introduction to Regal Partners Limited (ASX:RPL)

Regal Partners Limited (ASX:RPL)

ASX-Listed Specialist Alternatives Manager

REGAL
PARTNERS



Regal Partners Limited is an ASX-listed, specialist alternative investment manager with approximately A\$5.4bn in funds under management¹.

- Regal Partners (ASX:RPL) was formed on 3 June 2022, following the merger of ASX-listed VGI Partners Limited and privately-owned Regal Funds Management Pty Limited.
- The Merger combines two of Australia's most recognised and successful hedge fund businesses, creating a market-leading provider of alternative investment strategies in the Asia-Pac region.
- The Group houses four dedicated alternative investment management businesses: **Regal Funds Management**, **VGI Partners**, **Kilter Rural** and **Attunga Capital**, together employing over 100 employees³, located in offices across Sydney, Victoria, Singapore and New York.

\$5.4bn

Assets Under Management (AUM)¹

RPL

ASX ticker

\$657m

Market Capitalisation²

4

Global Offices

~100

Employees³

>45

Investment Professionals

1. Unaudited Management estimate as at 30 September 2022. Funds under management for the group (including 100% of Kilter Rural, Attunga Capital and Gresham Royalties Management) includes non-fee earning funds; 2. As at last close 18 October 2022; 3. Includes full-time and part-time staff and staff in all group entities including Kilter Rural, Attunga Capital and Gresham Royalties Management.

Exceptional investment capabilities across a range of alternative asset classes

REGAL FUNDS

Regal Funds is a multi-award-winning specialist alternatives investment manager, pioneering the **hedge fund, private market** and **alternatives** industry in Australia since 2004.

INVESTMENT STRATEGIES:

Hedge Funds, Private Markets & Private Credit¹

VGI PARTNERS

VGI Partners is a **global, high conviction long-short equity manager** focused on producing superior risk-adjusted returns over the long term.

INVESTMENT STRATEGIES:

Hedge Funds

KILTER RURAL

Kilter Rural² offers private market exposure to Australian **farmland, water** and **ecosystem assets**, with a significant focus on delivering positive environmental and social impacts.

INVESTMENT STRATEGIES:

Real Assets – Farmlands & Water



Attunga CAPITAL

Attunga Capital² offers private market exposure to **electricity, power** and **environmental commodity markets**, including global carbon markets.

INVESTMENT STRATEGIES:

Natural Assets – Power, Electricity & Carbon

1. Regal Private Credit Opportunities Fund launched in 2H22; 2. Regal Partners has a 61.49% voting interest; 57.4% economic interest in Kilter Rural and a 51% interest in Attunga Capital.

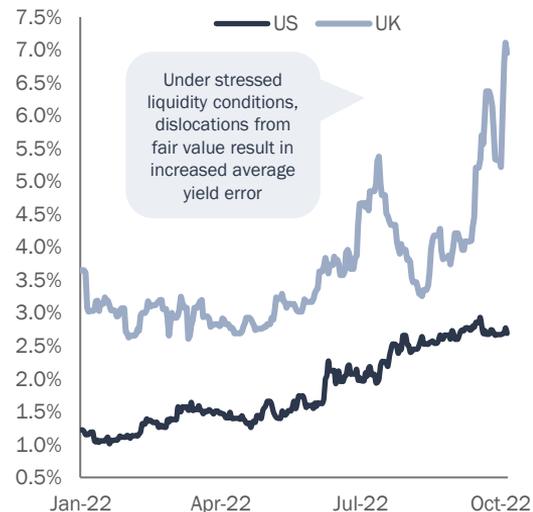
Market Observations & VG1 Portfolio Update

Broad observations

Macro warning signs

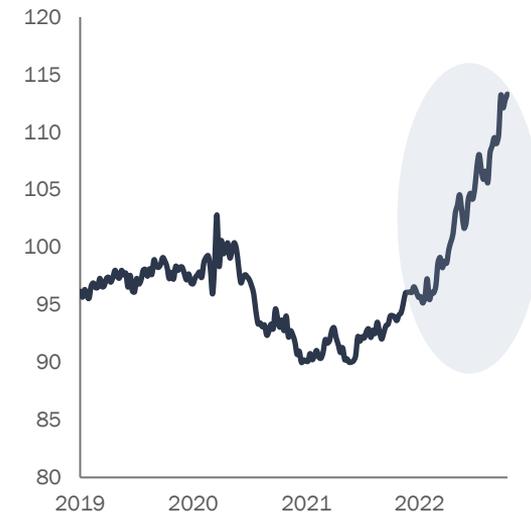
Declining bond liquidity

Bloomberg UK and US govt securities liquidity indices
(Average yield error)



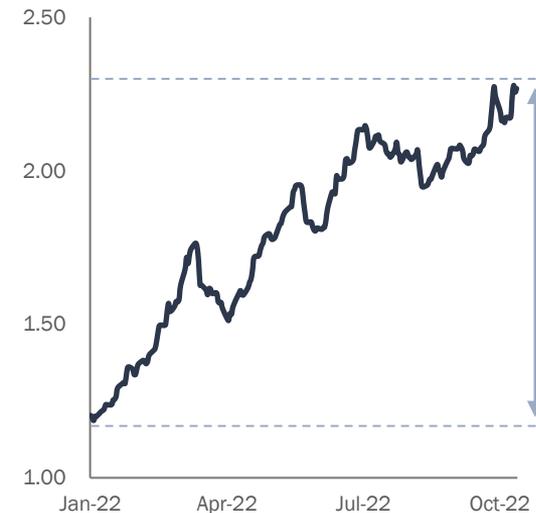
Sharp FX moves

DXY Index
(Weekly index level)



Credit spreads widening

US corporate BBB – 10 yr Treasury spread
(%)



Broad observations

Macro warning signs

More than 40% of SPX option volume in Q3 has had less than 24 hours to maturity



Broad observations

Long and short positioning

- › **Longs:** market dislocations can create attractive opportunities
- › **Shorts:** Continue to have more short on than historically as uncertainty warrants cautiousness, but increasingly seeing better risk/reward opportunities on the long side

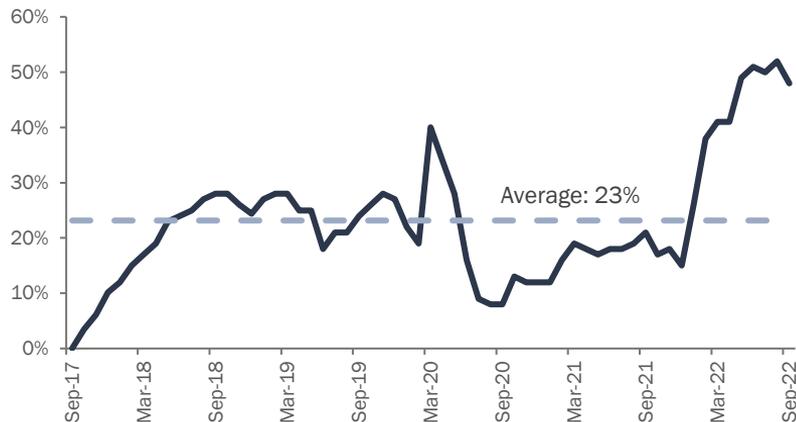
30 September 2022 Month End Exposures

Long Equity Exposure 93%

Short Equity Exposure (48%)

Net Equity Exposure 45%

VGI Partners Global Investments – Historical Short Exposure



Source: VGI Partners.

Broad observations

Foreign exchange

AUD/USD since 2008 – The portfolio remains fully hedged to AUD with any strengthening to benefit portfolio performance



Global Portfolio as at 30 September 2022

Top 10 Long Investments	Sector	% of Portfolio	Overview
 amazon	eCommerce & Internet	15%	Global e-commerce, dominant cloud computing; reinvestment enhancing moat
 CME Group	Exchanges & Fin Services	11%	World's largest derivatives exchange; monopoly in interest rate derivatives; beneficiary of a pick-up in inflation
 RICHMONT	Luxury	8%	Cartier / Van Cleef jewellery business with under-appreciate growth runway and leading digital platform
 mastercard	Payments	7%	Global duopoly; beneficiary of ongoing shift to digital payments; fintech enabler
 SAP	Information Technology	6%	World's largest enterprise resource planning software provider; beneficiary of shift to cloud
 Pinterest	eCommerce & Internet	6%	Unique digital destination; accelerating monetisation; high user purchase intent
 twitter	eCommerce & Internet	5%	Global platform for public self-expression and real-time conversation
 DEUTSCHE BÖRSE GROUP	Exchanges & Fin Services	5%	Leading European cash and derivatives exchange with favorable macro backdrop
 Schlumberger	Industrials	5%	Global leader in oilfield services exposed to multi-year upstream capex cycle and undergoing strategic shift to higher-margin digital services
 GROUPE FDJ	Gaming & Entertainment	4%	French monopoly lottery operator; former govt owned; early in the shift to online betting
Total		72%	

Recent Notable Portfolio Changes Amongst Top 10 Holdings

- › Increased position size: **CME, SAP, Deutsche Boerse**
- › Decreased position size: **MasterCard**
- › Exited positions: **Olympus, Twitter**
- › New addition: **Schlumberger**

Top 10 Long Investments ¹	% of Portfolio	Change in Position Size
 amazon	15%	—
 CME Group	11%	↑
 RICHEMONT	8%	—
 mastercard	7%	↓
 SAP	6%	↑
 Pinterest	6%	—
 twitter	5%	October Exit
 DEUTSCHE BÖRSE GROUP	5%	↑
 Schlumberger	5%	NEW
 GROUPE FDJ	4%	—
Total	72%	

Source: VGI Partners.

Note: The table above only displays notable portfolio changes.

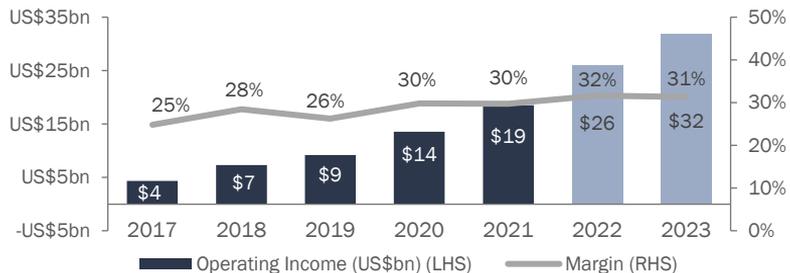
¹Top 10 long investments as of 30 September 2022.

Core Long Position:

Current valuation is largely underpinned by Amazon Web Services (AWS)

- > AWS is a key beneficiary of Enterprise IT's ongoing shift to the cloud
- > The shift to the cloud lowers costs, increases flexibility, and drives revenue for AWS's customers, making growth more resilient to tough macro conditions
- > AWS has circa US\$80bn in annual revenue, growing over 30% pa, with 30% operating margins
- > We estimate that AWS alone worth at least US\$100 per AMZN share
- > AMZN is trading on 3.5% 2023 FCF yield and 15x 2023 EBITDA

AWS Operating Income (US\$bn) and Margin



Source: Company filings and VGI Partners analysis.

Significant value beyond AWS which market is attributing little-to-no value

- > #1 e-commerce retailer globally; #1 US retailer by Gross Merchandise Value
- > #1 rewards and discounts membership service
- > #1 delivery service in the US by number of packages delivered
- > #2 video streaming service by spend on original content
- > #3 online advertising platform, growing faster than #1 Google and #2 Meta
- > Upside optionality in nascent initiatives (satellite broadband, healthcare, etc.)









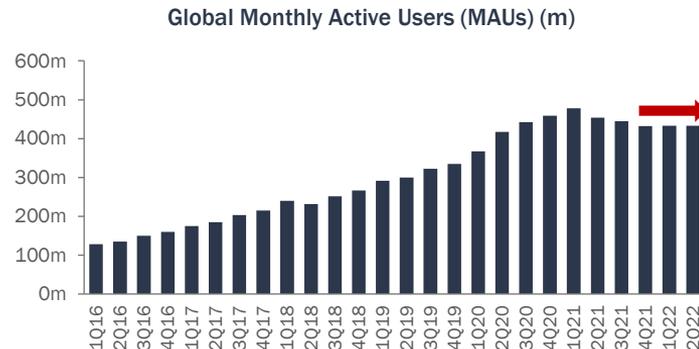




Core Long Position: Pinterest

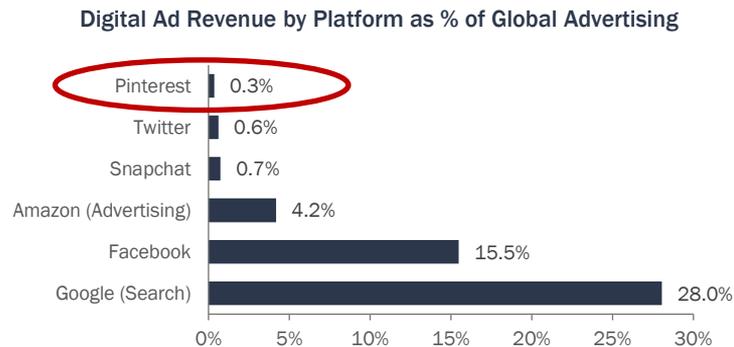
- › Unique platform at the intersection of search and social media with a global active user base of 430m users
- › Highly under-monetised platform relative to the purchase intent signal collected on users
- › Recent issues of user declines have shown stabilisation
- › Limited impact from IDFA privacy changes
- › Positive catalysts
 - › New CEO
 - › Activist investors
- › Highly attractive valuation

User Growth: early signs of stabilisation



Source: Company documents

Ad budgets: Pinterest still capturing a small % of ad budgets



Source: Company documents, Magna Global.

New Position: Schlumberger

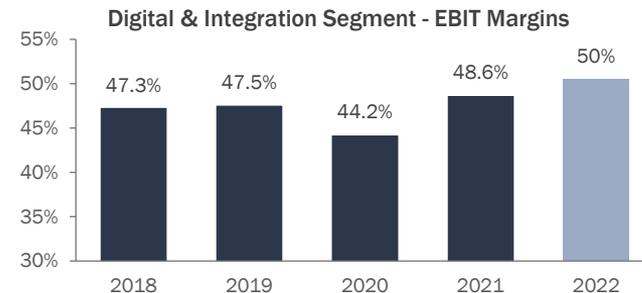
- › #1 global oil field services provider in a highly consolidated industry structure
- › Favourable end-market dynamics with multi-year upstream capex cycle globally after a decade of underspend
- › Exposure to secular shift towards outsourcing and market share gains by National Oil Companies
- › Under-appreciation of improvement in returns on capital to come, particularly given strategic shift to higher-margin digital services
- › FCF generation depressed and we anticipate substantial improvement in the years ahead which we believe drives share price outperformance

Expected International Drilling & Completion Capex



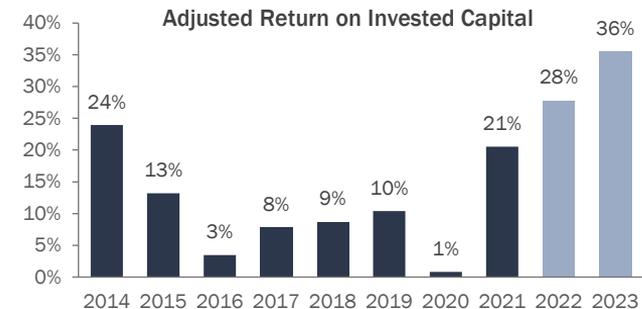
Source: Spears & Associates.

Highly profitable digital business with significant potential



Source: Company Financials

Expected to lead to better Returns on Capital



Source: Company Financials

Note: Return on Invested Capital (ROIC), excluding goodwill

Exited Positions: Olympus & Twitter

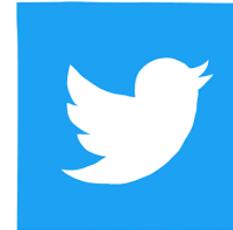
› **Olympus** (7% position)

- › Management executing well but thesis has largely played out and the stock reached our valuation target



› **Twitter** (5% position)

- › Held onto position despite noise around merger break – due diligence on deal structure and legal outcomes provided confidence in holding the position (irrespective of deal outcome, we were happy to own the business)
- › Exited position after most recent rally when share price traded to a small discount to the takeover bid



New Opportunities: European Industrials and US Software

> European Industrials

- > Opportunities arising with many high-quality businesses on sale due to concerns around European recession

> US Software

- > Large de-rating + concerns on IT spend pressure → valuations starting to look highly attractive in high-quality software businesses
- > Unsurprisingly, already seen M&A ramp up in the sector

Recent VGI US software holding subject to M&A:



\$8bn deal, acquired by Vista Equity Partners (pending)
Acquired for 8x EV/Sales
August 2022

Other examples of recent US software M&A transactions:



\$10bn deal, acquired by Hellman & Friedman + Permira
Acquired for 6x EV/Sales
April 2022



\$10bn deal, acquired by Thoma Bravo
Acquired for 10x EV/Sales
June 2022



\$20bn deal, acquired by Adobe (pending)
Acquired for 50x EV/Sales
September 2022

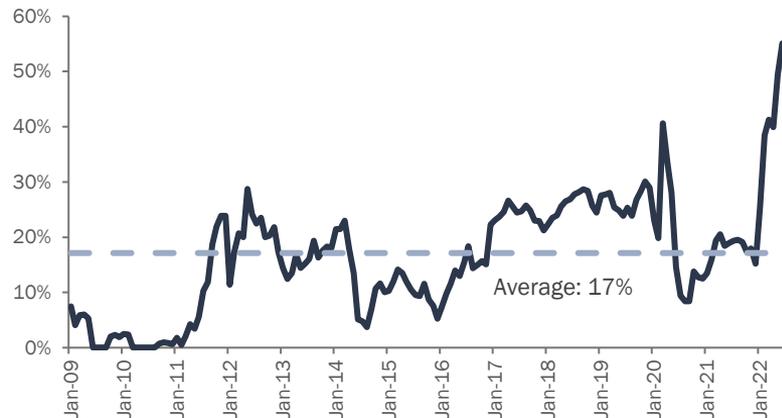
Short Portfolio

VG1 short attribution calendar YTD: +13%

- › Continue to see attractive short opportunities
- › More short exposure than historically → uncertainty warrants cautiousness; but increasingly the better risk/reward opportunities are starting to be on the long side
- › Two examples:
 - › US Auto Dealers
 - › Container Shipping

Past performance is not indicative of future performance.

VGI Partners Master Fund – Historical Short Exposure

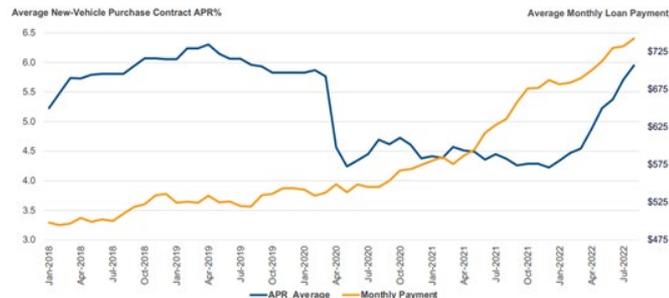


Source: VGI Partners.

Short Position - US Auto Dealers

- › Thesis: abnormally high profitability to come under pressure as supply normalizes and demand falls due to lower credit availability
- › Consumer pressure → pressure on large ticket items (cars)
- › Higher interest rates → lower propensity to finance cars (key to dealer profitability)

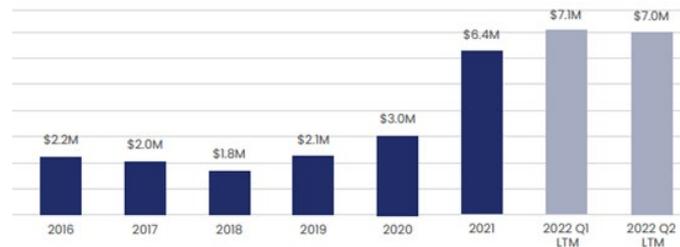
Vehicle Affordability: Rising Interest Rates & Payments



Source: Cox Automotive.

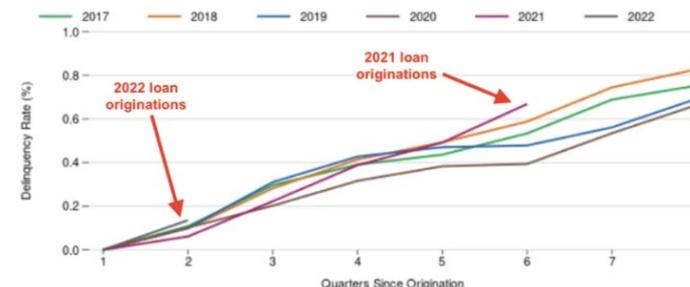
US Auto Dealer Profitability

Public group adjusted earnings per dealership



Source: Haig Partners & SEC Filings

US Auto Delinquency Rates



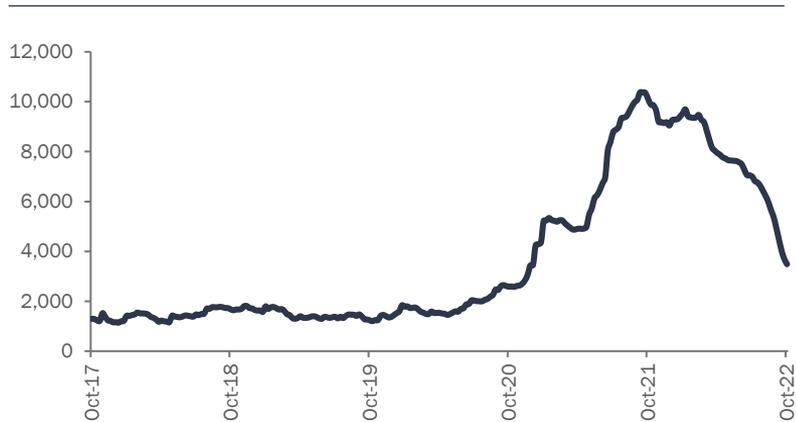
Source: CFPB Consumer Credit Panel.

Short Position - Container Shipping

Spot container rates are collapsing back towards pre-COVID-19 levels as goods demand shifts back to services and inventory rebuild slows.

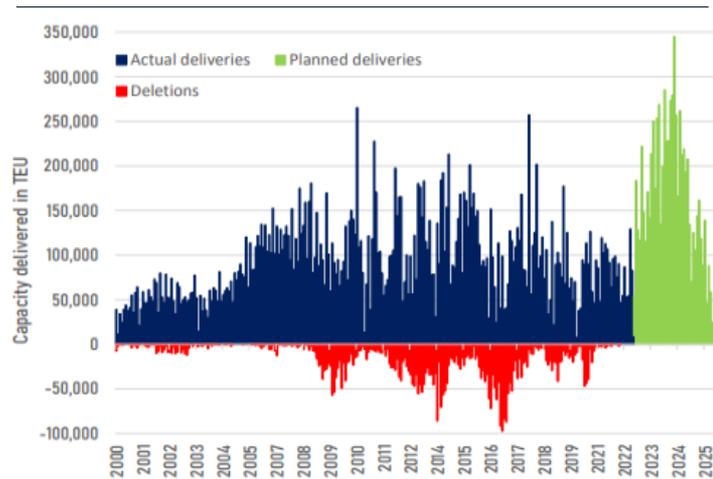
Unprecedented supply of new container ships, ordered during COVID-19, are set to arrive over coming years bringing further downward pressure on rates.

Drewry Spot Container Freight Rates Indices



Source: Bloomberg.

New deliveries and deletions by month 2000-2025



Source: Lynerlitica.

Questions



Robert Luciano
Chief Investment Officer
VGI Partners



Marco Anselmi
Portfolio Manager
VGI Partners



Brendan O'Connor
Chief Executive Officer
Regal Partners

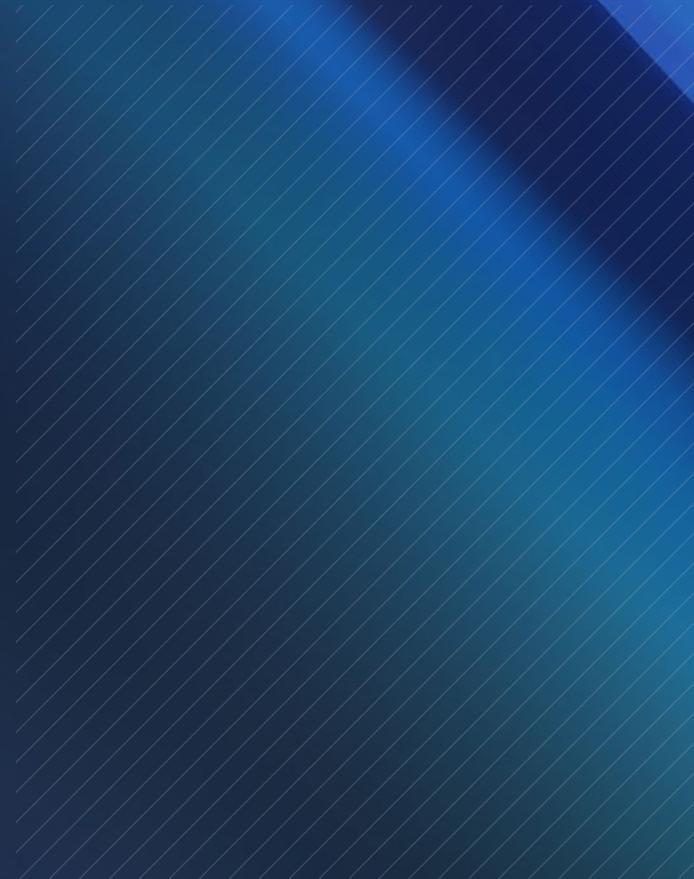


Rebecca Fesq
Head of Client Business
Regal Partners

VGI Partners Global Investments Limited (ASX: VG1)

20 October 2022

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**

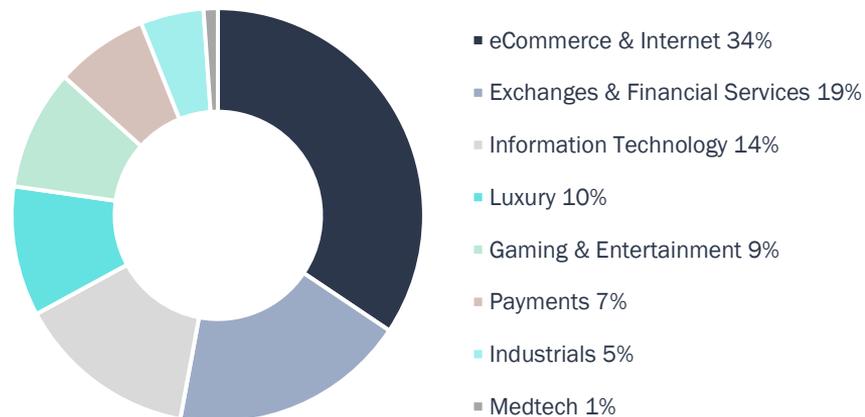
VG1 Performance and Portfolio

As at 30 September 2022

Return Period	Portfolio (Net Return)
3 Months	(3.3%)
1 Year	(22.8%)
Since Inception (p.a.)	(0.0%)

30 September 2022 Month End Exposures	
Long Equity Exposure	93%
Short Equity Exposure	(48%)
Net Equity Exposure	45%

Long Portfolio by Sector



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%