

21 October 2020

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

BY ELECTRONIC LODGEMENT

### **Investor Briefing Presentation**

Robert Luciano, Executive Chairman and Portfolio Manager of VGI Partners Limited, will host a webinar today at **10:30am (AEDT) on Wednesday, 21 October 2020**. 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 portfolio strategies and key portfolio positions.

If you are interested in participating, please register at the following link:

[https://vgipartners.zoom.us/webinar/register/WN\\_sEPlxP-HTXCkQZtCCpOOgw](https://vgipartners.zoom.us/webinar/register/WN_sEPlxP-HTXCkQZtCCpOOgw)

Once you have successfully pre-registered, you will receive a confirmation email with your unique link to join the Zoom webinar. Please note that the webinar will be accessible by browser if you do not have the Zoom software or app already installed.

Questions for Mr Luciano and the team can be submitted online during the briefing. Please use the Q&A button on the bottom ribbon of your browser to type any question you would like addressed. Questions can also be pre-submitted to [events@vgipartners.com](mailto:events@vgipartners.com).

Please do not hesitate to contact us if you have any queries on how to participate in the webinar. Further information on how to join and participate in a Zoom webinar can also be found at the Zoom Help Centre "[Joining and participating in a webinar \(attendee\)](#)".

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

For those who prefer, listen-only dial-in details are also available.

# VGI PARTNERS

Global Investments

**Listen-Only Participant Dial-in Numbers (meeting ID 922 5007 5068, passcode 751627):**

Australia	1800 945 157 (Toll Free) +61 2 8015 6011 +61 3 7018 2005 +61 7 3185 3730 +61 8 6119 3900 +61 8 7150 1149	US	877 853 5257 (Toll Free) +1 929 205 6099 (New York)
		UK	0800 456 1369 (Toll Free) +44 330 088 5830
		Japan	+81 524 564 439
		New Zealand	+64 9 884 6780
Other	Available at: <a href="https://vgipartners.zoom.us/j/abAX9B8BFe">https://vgipartners.zoom.us/j/abAX9B8BFe</a>		

Please note, there is no participant ID required to join by phone. Please skip this step when prompted and use the meeting ID and passcode provided to join the briefing.

Authorised for release by:

**Ian Cameron**  
**Company Secretary**

For investor queries, please contact:

**Ingrid Groer, CFA**  
**Head of Investor Relations**

VGI Partners Global Investments Limited

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VGI  
PARTNERS

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# VGI Partners

21 October 2020

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**VGI  
PARTNERS**

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# **VGI Partners The Manager**

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# VGI PARTNERS

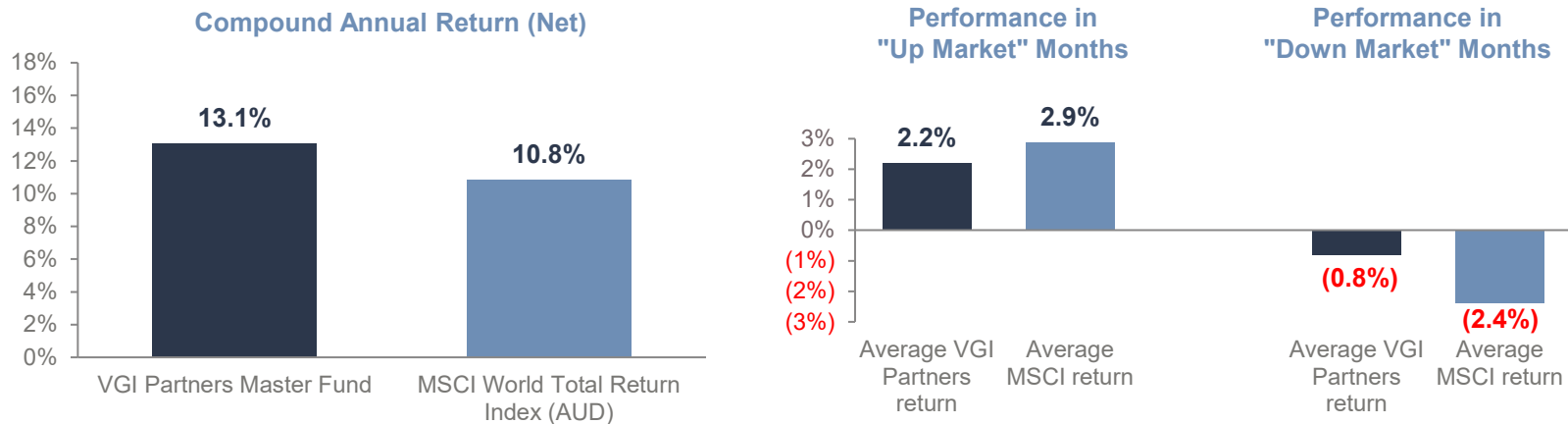
## VGI Partners (The Manager) Overview

- Specialist manager focusing on global equities. Long biased, concentrated strategy with selective short selling. Minimal to no leverage utilised
- Offices in Sydney, New York and Tokyo
- FUM of A\$2.9 bn<sup>1</sup>
- Two investment strategies:
  - Global Strategy with 12 year track record
  - Asian Strategy launched in 2019
- VGI Partners is closed to net new investment into its unlisted funds and segregated accounts. Other than limited capacity in a Charitable Foundation Class, VGI Partners' strategies are now accessible only via investing in VG1 or VG8 shares



<sup>1</sup> FUM as at 30 September 2020. Data is unaudited and based on VGI Partners' estimates.

## VGI Partners Master Fund: Capital Preservation Performance in Up/Down Months



Source: Citco Fund Services and Bloomberg. Performance is shown after all applicable management and performance fees charged. In the period to 30 September 2020 (a total of 141 months since inception), there has been 88 "up market" months and 53 "down market" months. MSCI = MSCI World Total Return Index (AUD).

# VGI PARTNERS

## VGI Partners Master Fund Returns after all Applicable Fees

Year to 30 June	VGI Partners Master Fund	Index	Relative	Master Fund Net Exposure
2009 (6 months)	2.3%	(3.4%)	5.6%	15%
2010	8.3%	5.1%	3.2%	76%
2011	18.4%	3.2%	15.2%	88%
2012	5.4%	(0.6%)	5.9%	71%
2013	27.5%	33.1%	(5.6%)	77%
2014	9.4%	20.1%	(10.7%)	86%
2015	38.1%	24.0%	14.1%	76%
2016	13.0%	0.6%	12.4%	75%
2017	5.9%	14.6%	(8.8%)	58%
2018	20.2%	15.4%	4.8%	54%
2019	13.1%	12.1%	1.0%	62%
2020	(7.2%)	4.6%	(11.9%)	69%
<b>2021 (3 months)</b>	<b>5.4%</b>	<b>3.7%</b>	<b>1.7%</b>	<b>73%</b>
Total return since inception	323.1%	234.3%	88.8%	70%
<b>Compound annual return</b>	<b>13.1%</b>	<b>10.8%</b>	<b>2.2%</b>	

Source: VGI Partners and Citco Fund Services. Performance is shown after all applicable management and performance fees charged. The VGI Partners Master Fund inception date was 20 January 2009 and the Fund is AUD denominated. Past performance is not indicative of future performance. Index = MSCI World Total Return Index (AUD). The MSCI Index is 100% net invested at all times.

# VGI PARTNERS

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## VGI Partners (The Manager) Philosophy and Alignment of Interests

<b>Capital Preservation</b>	Do not lose money
<b>Long-Term Compound Growth</b>	10-15% p.a. net of fees
<b>Portfolio Concentration</b>	Invest in best ideas

### Alignment of Interests

- All operating costs of VG1 and VG8 (where permitted) paid by VGI
- Founders of VGI Partners reinvest their pro-rata amount of VG1 and VG8 performance fees (after tax) back into VG1 and VG8 shares
- VGI Partners is an ongoing buyer of VG1 and VG8

### Staff

- Prohibited from buying securities outside of the Manager's funds and VGI Partners itself
- The entire investment team invests a material proportion of their net worth in VGI Partners and VGI Partners' funds
- Board members, staff and their families have well over \$130m<sup>1</sup> invested in VGI Partners' funds (including \$37m in VG1 and \$37m in VG8)

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<sup>1</sup> Includes Master Fund, Offshore Fund, VG1 and VG8. Based on post-tax NTA of \$2.38 for VG1 and \$2.53 for VG8 as of 16 October 2020 (per the latest Weekly NTA Updates released to the ASX). Includes look-through interest in shareholdings in VG1 and VG8 owned by VGI Partners (given VGI Partners is over 77% owned by VGI Partners' Board, staff and their families).



## Attributes of a Great Business

Attractive industry  
structure

Secular growth

Sustainable competitive  
advantage

Management display  
honesty, intelligence  
and capability

Superior return on  
capital and a strong  
balance sheet

Sufficient “margin of  
safety”

## Key VG1 and VG8 Initiatives

### 1. Enhanced Adviser Relations and Shareholder Communication

- Currently hiring a Sydney Business Development Manager and additional staff to engage with advisers
- Increased focus on large investors who can build stakes in VG1 and VG8 (noting VGI Partners' unlisted funds are closed to net new investment<sup>1</sup>)
- Monthly NTA now includes Top 10 Long positions (65% of VG1 NAV, 50% of VG8 NAV) and enhanced commentary
- Commencing quarterly portfolio update webcasts and increased use of video with the senior Investment Team

### 2. Capital Management

- VG1 on-market buy-back announced in August: up to 10% of shares on issue over 12 months
- Commitment not to raise additional capital (VG1 until at least June 2022; VG8 until at least November 2022)<sup>2</sup>

### 3. VG1 Dividend Policy

- Two fully franked dividends each year at a level that we expect to maintain and grow over the longer term
- The most recent dividend (declared in August 2020) was 1.5 cents per share

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<sup>1</sup> Excluding c.\$15m of capacity in the Charitable Foundation Class of the VGI Partners Master Fund.

<sup>2</sup> Per VG1 Entitlement Offer booklet and VG8 IPO Prospectus, unless as part of a value enhancing acquisition of another fund, or to satisfy the performance fee reinvestment mechanism.

# **VGI Partners Global Investments Limited (ASX:VG1)**

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## VG1 Portfolio Update as at 30 September 2020

### Portfolio Size \$941m

#### Month End Exposures<sup>1</sup>

Long Equity Exposure	83%
Short Equity Exposure	(8%)
Gross Equity Exposure	91% (83% + 8%)
Net Equity Exposure	75% (83% - 8%)
Cash Weighting	25%

#### Net Currency Exposure

AUD	100%
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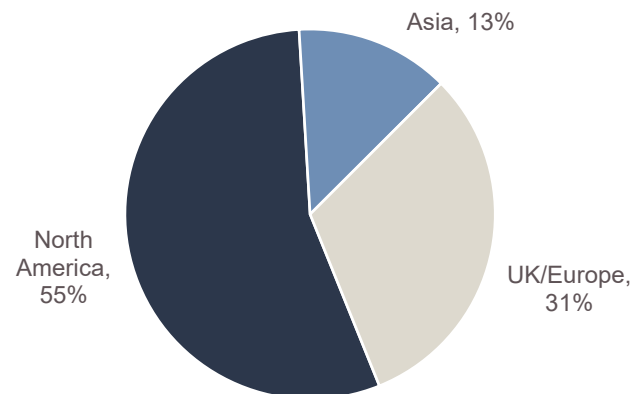
#### Investments

Number of Long Investments:	22
Number of Short Positions:	1 (index short)
Top Ten Long Investments	65% of NAV

<sup>1</sup> As at 16 October 2020, VG1 had net equity exposure of 75% (long 84%, short 9%) and cash 25%.

<sup>2</sup> Asia includes ASX-listed securities.

### Long Portfolio by Location of Exchange Listing<sup>2</sup>



## VG1 Portfolio Update as at 30 September 2020

Portfolio Size \$941m

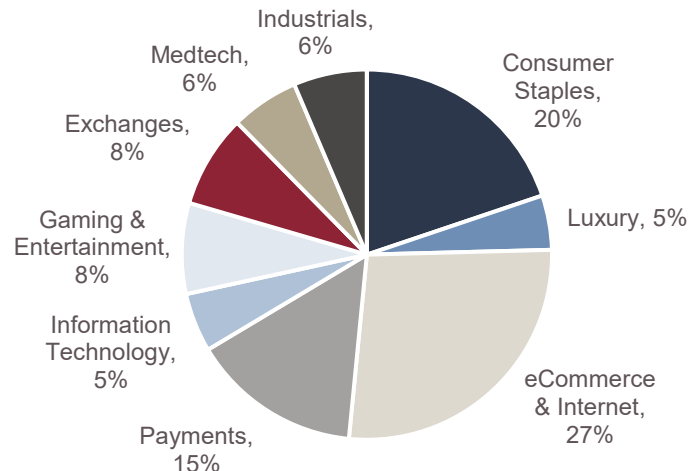
Sector

% of Portfolio

### Top 10 Long Investments

Amazon.com Inc.	eCommerce & Internet	15%
Mastercard Inc.	Payments	12%
CME Group Inc.	Exchanges	6%
Pinterest Inc.	eCommerce & Internet	6%
Olympus Corporation	Medtech	5%
Yakult Honsha Co. Ltd	Consumer Staples	4%
Otis Worldwide Corporation	Industrials	4%
Cie Financière Richemont SA	Luxury	4%
Diageo plc	Consumer Staples	4%
Française des Jeux	Gaming & Entertainment	4%
<b>Total</b>		<b>65%</b>

Long Portfolio by Sector

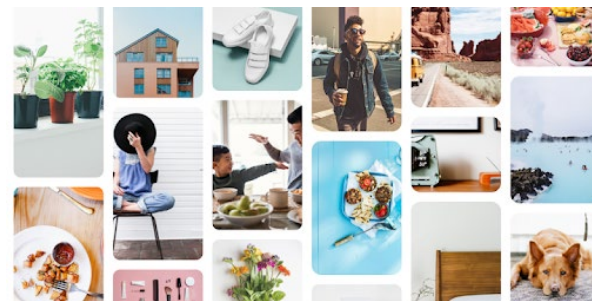


Source: VGI Partners, Bloomberg. Sectors have been internally defined.

## Portfolio Holding: Pinterest

### Business overview:

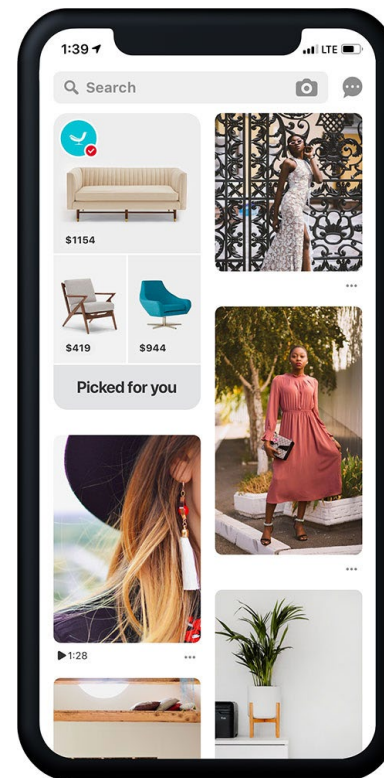
- Visual discovery engine with over 400 million monthly active users
- Elements of social network and search engine – but describes itself as “the world’s catalogue of ideas”
- Pinterest’s algorithm shows users content based primarily on their browsing history and demographic data
- For users, activity revolves around saving images or videos on a particular topic as part of the planning process for an event, purchase, holiday etc
- Pinterest monetises the platform by allowing advertisers to pay for their content to be shown within a user’s feed
- The amount of data Pinterest has on its users’ tastes and preferences allows adverts to be very targeted, leading to high ROI for advertisers



## Portfolio Holding: Pinterest

Primary attractive features:

- 90% of users say Pinterest gives them ideas for what products to purchase
- Gives advertisers targeted access to consumers with high intent to purchase at primary stage of research process
- Early stage of monetisation in international markets with ARPU of \$0.54 compared to \$12.07 in the US
- Network effects with increasing breadth and depth of pinned content (200 billion “pins”)
- Facebook, Google and Amazon have tried to compete with Pinterest but have been unable to get any traction

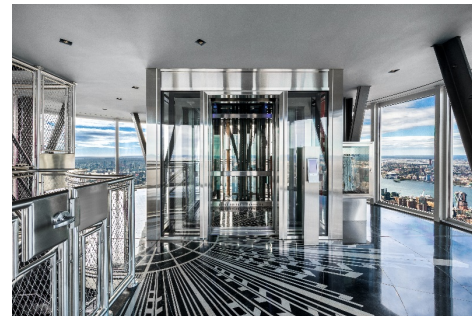


## Portfolio Holding: Otis Elevator

Primary attractive features:

- Oligopoly industry structure
- Sticky customers with high retention rates
- Mission-critical infrastructure
- Secular growth (global population growth, urbanisation, verticalisation, regulation)
- Razor-blade business model (sale of new elevators + servicing contracts)
  - Stable and recurring earnings stream
  - Highly cash generative
- Inflation-protection through medium-term servicing contracts

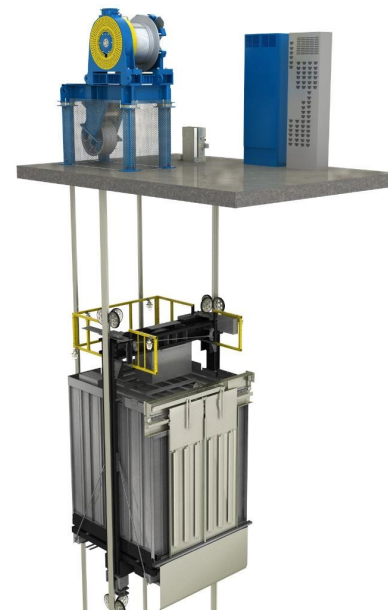
# OTIS





## Portfolio Holding: Otis Elevator

- VGI Partners has followed United Technologies (Otis former parent company) for several years
- Undervalued asset that was milked for its cashflows
- Otis now has focused Management prioritising long-term growth and returns
- Margin expansion opportunity
- Independence improves competitive position in certain markets
- Investment in digital to increase retention rates and customer lifetime value



# **VGI Partners Asian Investments Limited (ASX:VG8)**

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## Asian Experience

VGI Partners has a well-resourced global research team with a team of four on the ground in Tokyo

VGI Partners has a long history of researching and investing in companies in the Asian region

**>A\$800m**

**Exposure to Asian region prior to VG8**

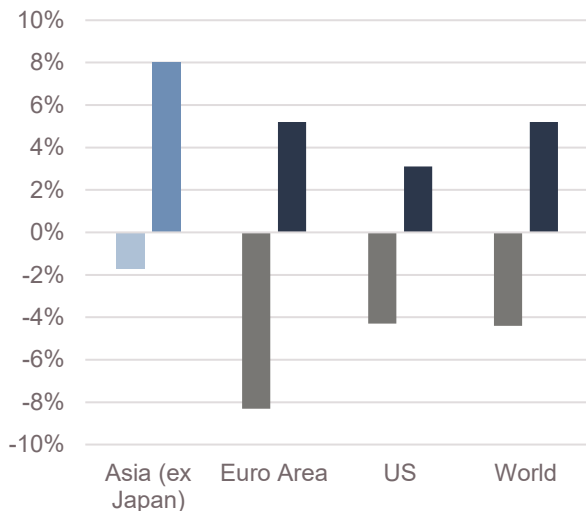
### VG8 Key Facts

- Listed 13 November 2019 at A\$2.50
- Net Tangible Assets at listing of A\$557m
- VG8 aims to typically invest in 15-30 long investments. The top ten long investments will usually represent between 40-50% of the portfolio's NAV
- All VG8 IPO investors received free "Alignment Shares" in VGI Partners proportionate to their investment

## Asian Opportunity

### Regional Growth

#### GDP Growth (2020 and 2021 Projections)



**54%**

Of the global population  
and growing

**34%**

Of global GDP

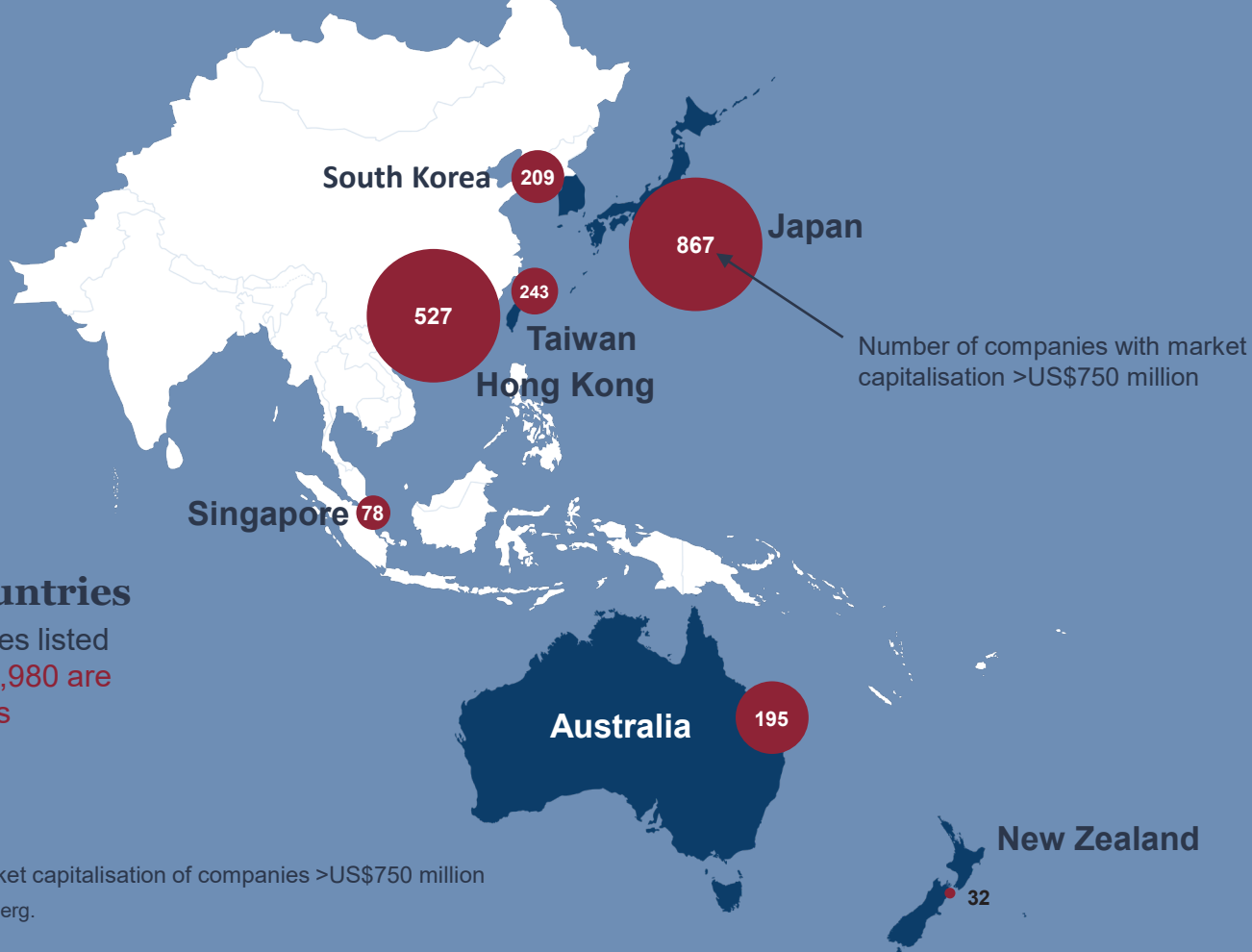
**88%**

Of the next one billion  
people to enter the  
middle class

#### Capital Markets

- Over 4,000 companies with a market cap of US\$1 billion or more
- Responsible for over 50% of Global IPOs over the last 5 years
- Asian companies comprise 9 of the Top 10 in the Emerging Markets Index (was 2 in 1998)
- Over 75% of Emerging Markets Index is now Asian
- High governance standards in core markets

Source: WEO Update (October 2020), United Nations, World Bank, Brookings Institution, Bloomberg.



## Key Investable Countries

There are 31,043 companies listed in Asia Pacific, of which **14,980 are in Key Investable Countries**



Bubble size reflects total market capitalisation of companies >US\$750 million

Source: VGI Partners research, Bloomberg.  
Data as at 30 June 2020.

## VG8 Investment Process

### Indicative Market Exposure

Market <sup>1</sup>	Long	Short
China	Watching Brief	Watching Brief
India	Watching Brief	Watching Brief
Japan	Core	Yes
South Korea	Core	Yes
Singapore	Core	Yes
Hong Kong	Core	Yes
Taiwan	Core	Unlikely
Thailand	Watching Brief	No
Vietnam	Opportunistic	No
Malaysia	Opportunistic	No
Indonesia	Watching Brief	No
Philippines	Watching Brief	No
Australia	Core	Yes
New Zealand	Opportunistic	Unlikely

<sup>1</sup> VG8 may also invest in companies listed outside of Asia but with significant exposure to Asia.

## VG8 Portfolio Update as at 30 September 2020

Portfolio Size \$564m

### Month End Exposures<sup>1</sup>

Long Equity Exposure	60%
Short Equity Exposure	(0%)
Gross Equity Exposure	60% (60% + 0%)
Net Equity Exposure	60% (60% - 0%)
Cash Weighting	40%

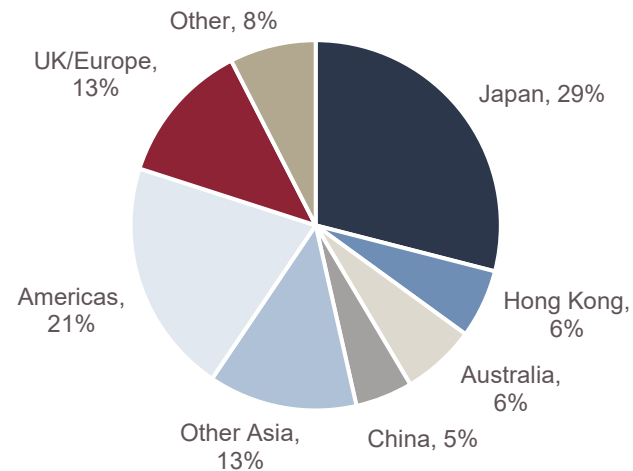
### Net Currency Exposure

AUD	100%
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### Investments

Number of Long Investments:	19
Number of Short Positions:	0
Top Ten Long Investments	50% of NAV

Long Portfolio by Regional Exposure –  
Proxied by Revenue<sup>2</sup>



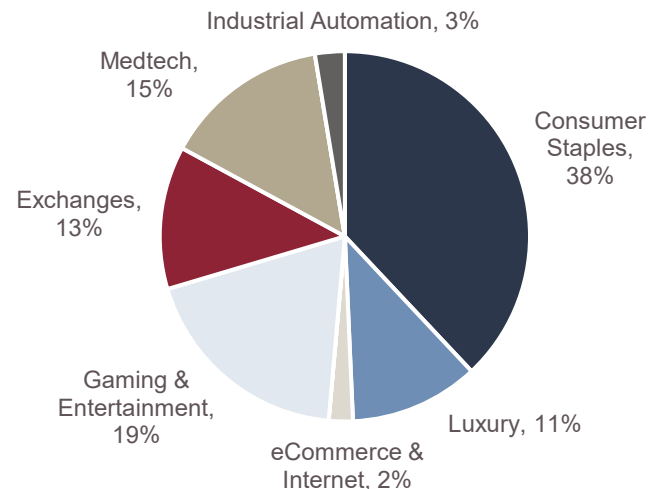
<sup>1</sup> As at 16 October 2020, VG8 had net equity exposure of 62% (long 62%, short nil) and cash 38%.

<sup>2</sup> The revenue mix of each equity investment has been used as a proxy for regional exposure.

## VG8 Portfolio Update as at 30 September 2020

Portfolio Size \$564m	Sector	% of Portfolio
<b>Top 10 Long Investments</b>		
Nintendo Co. Ltd	Gaming & Entertainment	7%
Kikkoman Corporation	Consumer Staples	7%
Olympus Corporation	Medtech	7%
Yakult Honsha Co. Ltd	Consumer Staples	6%
Cie Financière Richemont SA	Luxury	6%
Pernod Ricard SA	Consumer Staples	4%
Hong Kong Exchanges & Clearing Ltd	Exchanges	4%
Japan Exchange Group Inc.	Exchanges	3%
Kewpie Corporation	Consumer Staples	3%
Unicharm Corporation	Consumer Staples	2%
<b>Total</b>		<b>50%</b>

**Long Portfolio by Sector**



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



## Portfolio Holding: Olympus Corporation

### Business overview:

- Manufacturer of gastrointestinal endoscopes
- Products are used to screen for gastric and colorectal cancer
- Camera business is being divested

### Primary attractive features:

- Dominant market position (70% global market share)
- Highly engineered product with significant IP
- High switching costs (doctors would have to retrain on a new device)
- Secular growth (more screening, increasing cases of colorectal cancer)

**OLYMPUS®**

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## Portfolio Holding: Olympus Corporation

- Overlooked by investors who are anchored by the historic camera business
- Recently announced the disposal of the camera business
- Now a corporate governance leader with 3 foreign, independent directors
- Have announced a transformation plan with a focus on improving profitability
- There is clear and tangible evidence they are progressing towards their targets
- VGI believes there is an opportunity to double margins and therefore earnings
- Long-term secular growth opportunity



## Portfolio Holding: Nintendo

Business overview:

- Developer of videogames and manufacturer of game consoles
- Global business based in Japan

Primary attractive features:

- High-quality, under-monetised IP library (Mario, Pokémon, Donkey Kong, Zelda, etc.)
- Significant opportunity to grow digital penetration
- Secular growth (gaming is growing as a media consumption format)
- Capital-light business, attractive returns on capital
- Strong balance sheet



## Portfolio Holding: Nintendo

- Attractively priced as overlooked by investors scarred by historical volatility of the console cycle
- Opportunity to unlock an “IP flywheel”
  - Expanding initiatives to monetise IP beyond gaming: merchandise, theme parks, movies (similar to Disney)
  - Encouraging signs of IP monetisation initiatives from the new CEO
- Partnership with Tencent offers potential upside in China
- VGI Partners believes there is an opportunity for Nintendo to continue to grow margins with higher digital penetration, shift to subscriptions, growing downloadable content and expanding its mobile business



## Shareholder Engagement for VG1 and VG8

**Please elect electronic communications to stay informed**

Quarterly portfolio briefings including half-year and full-year results

Monthly NTA commentary

Independent Research

- Zenith
- Independent Investment Research (IIR)

Investor Letter from the Manager in January and July each year

AGM in November each year

Annual national roadshow each October – virtual this year

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## VGI Partners Office Locations

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# Appendix

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## Investment Guidelines

Exposure	VG1	VG8
Number of Long Investments	Typically 10-25 (10-15 Core)	Typically 15-30
Concentration of Long Investments	Top five 40-50% of NAV on average	Top ten 40-50% of NAV on average
Average Size of Long Investments	Start at 1-3% and build to 4-10% of Portfolio's NAV	Start at 1-2% and build to 4-8% of Portfolio's NAV
Single Security Long Investment Limit	15% at purchase; maximum of 20%	8% at purchase; maximum of 20%
Number of Short Equity Positions	Typically 10-35	Typically 5-25
Average Size of Short Equity Positions	Start at 0.5% and build to 1-2% of Portfolio's NAV	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%	5% at purchase; maximum of 7.5%
Net Equity Exposure Limits	Limited to 100% of Portfolio's NAV; typically between 50-100%	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%	Maximum of 150% of Portfolio's NAV; typically between 70-120%

Source: VGI Partners.



# VGI PARTNERS

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