

La La Land - Given where things were just a few months ago it's incredible we are now speaking of bubbles. Following some rip-roaring performance in the internet/tech/software space there are more than a few stocks sporting La La Land valuations. This week I've taken a quick stroll through some of the more "impressive" sites on offer within La La Land.

"The price of a stock: 1) the Future Cash flows of a company, 2) what people are willing to pay for them boy is two hard to model" *Michael Antonelli@BullandBaird tweet*

"So like around March I could feel it coming. I just – I had to play. I couldn't help myself. And three times during the same week I pick up a – don't do it. Don't do it. Anyway, I pick the phone up finally. I think I missed the top by an hour. I bought \$6 billion worth of tech stocks, and in six weeks I had left Soros and I had lost \$3 billion in that one play. You ask me what I learned. I didn't learn anything. I already knew that I wasn't supposed to do that. I was just an emotional basket case and I couldn't help myself. So maybe I learned not to do it again, but I already new that." **Stan Druckenmiller** *recalling events of 1999/2000 as he watched tech stocks scream higher with little involvement.*

"Overpaying for quality. In 2000, Walmart traded at 40x PE and market cap was over \$250 billion. Over the next decade, Walmart continued to grow, earnings went up, and everything went well for the company. But the stock didn't pass 2000 peak for another 13 years." *Variant Perception's Jonathan Tepper highlighting the importance of valuation at entry points.* **Avoid QAAP (Quality At Any Price)**

"Started an EV company last night. Taped a double A battery to a Ford F-150. Implied valuation: \$69 billion." *Some satire from @thestinkmarket*

"We have been chastened by GSX's strong performance amid Covid-19 and lots of liquidity As the market continues to focus on sales growth rather than immediate earnings, we change our valuation methodology from PE to P/S After valuing GSX on a premium valuation of 8x P/S factoring the "new normal" market conditions, we raise our target from US\$30 to US\$63 and reiterate our SELL call." *Analyst Youngrin Kim on GSX Techedu this week. The stock is up 300% in USD YTD and ranks as the 2nd best global large cap performer (mkt cap >US\$20bn) over that time. Zoom Video is in 1st place.*

"At 10 times revenues, to give you a 10-year payback, I have to pay you 100% of revenues for 10 straight years in dividends. That assumes I can get that by my shareholders. It also assumes I have zero cost of goods sold, which is very hard for a computer company. That assumes zero expenses, which is really hard with 39,000 employees. That assumes I pay no taxes, which is very hard. And that assumes you pay no taxes on your dividends, which is kind of illegal. And that assumes with zero R&D for the next 10-years, I can maintain the current revenue run rate. Now, having done that, would any of you like to buy my stock at \$64? Do you realize how ridiculous those basic assumptions are? What were you thinking?" *Then CEO of Sun Microsystems Scott McNeely post the dot.com implosion*

What now? With many of the mega-cap tech/internet leaders offering little upside to consensus target prices (have stocks moved so fast that analysts can't keep up?) it is timely that both CLSA's quant and technical teams point to a period where value is expected to outperform growth - there are plenty of value candidates across to region to choose from if that proves the case.

"Set for another tactical rebound in value/growth ratio: The rubber band effect has often been used to describe moves in equity markets where prices get stretched too far one way or the other and eventually they snap back. The MSCI World Value versus Growth (V/G) ratio is now trading at a new all-time low and at an 18.6% discount to its 200-day MA, which sets the index up for another tactical mean reversion trade within an ongoing growth cycle." *Head of Technical research Laurence Balanco*

"We expect value and GARP strategies to outperform through the end of the year." *Head of Quant Strategy Jon Barden*

Plus:

- **What would you rather? Some comparisons between stocks of similar market cap**
- **9 things value investors do all the time**
- **Several value ideas from Ev Moore's "Moore Day" daily**
- **Last Word – Job interview**



La La Land

Given where things were just a few months ago it's incredible we are now speaking of bubbles. Following some rip-roaring performance in the internet/tech/software space there are more than a few stocks with La La Land valuations.

Both CLSA's quant and technical teams point to a period where value is expected to outperform growth - there are plenty of value candidates across to region to choose from if that proves the case.

But first a quick walk through some of La La Land

Global Large Caps (mkt cap >US\$20bn) - Best YTD performance

Ticker	Name	Market Cap	Ind Subgroup	BEst P/E	BEst PEG	BEst P/B	BEst P/S	YTD Tot Ret
ZM US Equity	ZOOM VIDEO COMMUNICATIONS-A	77,823,754,240	Computer Software	204.28	4.15	49.49	38.44	305.45
GSX US Equity	GSX TECHEDU INC- ADR	20,912,510,976	Educational Software	137.83		47.67	16.08	300.87
TSLA US Equity	TESLA INC	286,549,475,328	Auto-Cars/Light Trucks	185.24	10.46	23.81	8.60	269.24
981 HK Equity	SEMICONDUCTOR MANUFACTURING	30,420,717,568	Semicon Compo-Intg Circuits	119.82	5.98	3.92	7.91	251.34
708 HK Equity	EVERGRANDE HEALTH INDUSTRY G	22,740,654,080	Retirement/Aged Care					241.06
MRNA US Equity	MODERNA INC	24,344,262,656	Medical-Biomedical/Gene			7.29	25.63	220.09
SE US Equity	SEA LTD-ADR	57,230,118,912	Entertainment Software				11.22	200.85
688012 CH Equity	ADVANCED MICRO-FABRICATION-A	20,569,507,840	Electronic Compo-Semicon	415.17		33.80	47.45	193.72
DOCU US Equity	DOCUSIGN INC	38,557,044,736	Data Processing/Mgmt	327.61	14.35	64.92	25.98	183.51
SHOP CN Equity	SHOPIFY INC - CLASS A	123,472,412,672	Web Hosting/Design	1802.48	44.76		48.32	171.63
688111 CH Equity	BEIJING KINGSOFT OFFICE SO-A	25,752,350,720	Computer Software	191.90		26.45	54.80	165.60
300433 CH Equity	LENS TECHNOLOGY CO LTD-A	21,858,533,376	Miscellaneous Manufactur	38.56		5.65	3.74	162.79
DDOG US Equity	DATADOG INC - CLASS A	28,863,092,736	Computer Software	1643.49		35.33	43.33	155.19
300122 CH Equity	CHONGQING ZHIFEI BIOLOGICA-A	25,554,190,336	Medical-Whsle Drug Dist	50.13		18.71	10.19	147.62
W US Equity	WAYFAIR INC- CLASS A	21,175,439,360	E-Commerce/Products				1.56	147.60
TWLO US Equity	TWILIO INC - A	33,693,939,712	Computer Software	5549.89		7.78	19.59	144.79
241 HK Equity	ALIBABA HEALTH INFORMATION T	37,093,244,928	Retail-Drug Store	506.97		46.60	13.24	142.22
600588 CH Equity	YONYOU NETWORK TECHNOLOGY-A	24,172,558,336	Enterprise Software/Serv	134.19	21.80	18.39	15.29	139.02
CRWD US Equity	CROWDSTRIKE HOLDINGS INC - A	25,138,618,368	Computer Data Security	2112.72		17.30	28.54	133.91
PDD US Equity	PINDUODUO INC-ADR	104,552,767,488	E-Commerce/Products			33.77	11.67	130.83
035720 KS Equity	KAKAO CORP	25,989,988,352	Internet Content-Entmnt	73.68	0.99	5.15	7.40	129.32
1211 HK Equity	BYD CO LTD-H	32,180,951,040	Auto-Cars/Light Trucks	74.33	6.98	3.59	1.51	131.40
601888 CH Equity	CHINA TOURISM GROUP DUTY F-A	56,763,326,464	Travel Services	71.25	2.44	15.28	6.93	118.85
002475 CH Equity	LUXSHARE PRECISION INDUSTR-A	56,045,379,584	Electronic Compo-Misc	48.93	2.20	12.62	3.77	114.15
000661 CH Equity	CHANGCHUN HIGH & NEW TECH-A	26,309,074,944	Therapeutics	58.21		15.25	17.09	112.09
300750 CH Equity	CONTEMPORARY AMPEREX TECHN-A	64,295,579,648	Batteries/Battery Sys	84.17	5.46	10.31	7.41	110.94
COUP US Equity	COUPA SOFTWARE INC	20,677,541,888	Enterprise Software/Serv	628.45	22.50	11.51	37.72	110.79
300059 CH Equity	EAST MONEY INFORMATION CO-A	29,517,166,592	Finance-Invest Bnkr/Brkr	62.11	2.13	6.98	29.92	105.19
SQ US Equity	SQUARE INC - A	56,258,928,640	Commercial Serv-Finance	200.18	18.23	29.50	10.74	104.68
3690 HK Equity	MEITUAN DIANPING-CLASS B	157,241,688,064	E-Commerce/Products	113.80	2.31	10.74	7.96	102.16
DXCM US Equity	DEXCOM INC	40,598,499,328	Drug Delivery Systems	165.68	6.40	31.31	20.26	100.99
TAQA UH Equity	ABU DHABI NATIONAL ENERGY CO	31,223,232,512	Electric-Generation	11.25			6.01	95.78
NSU GR Equity	AUDI AG	76,772,196,352	Auto-Cars/Light Trucks					95.00
601012 CH Equity	LONGI GREEN ENERGY TECHNOL-A	24,902,832,128	Energy-Alternate Sources	25.86		4.86	3.09	92.93
OKTA US Equity	OKTA INC	27,255,775,232	Internet Applic Sftwr			61.31	30.94	89.59
ADYEN NA Equity	ADYEN NV	47,158,509,568	Commercial Serv-Finance	129.46	4.70	31.27	54.47	91.72
PLZL RM Equity	POLYUS PJSC	25,037,248,512	Gold Mining	13.87	5.36	9.11	5.32	84.79
JD US Equity	JD.COM INC-ADR	101,379,620,864	E-Commerce/Products	38.76	1.17	6.19	0.90	86.23
SPOT US Equity	SPOTIFY TECHNOLOGY SA	51,689,861,120	Internet Content-Info/News			21.03	5.16	86.05
6066 HK Equity	CSC FINANCIAL CO LTD-H	48,023,334,912	Finance-Invest Bnkr/Brkr	12.69	90.01	1.38	17.17	85.45
300760 CH Equity	SHENZHEN MINDRAY BIO-MEDIC-A	55,348,219,904	Medical Products	62.49		15.23	17.28	82.19
068270 KS Equity	CELLTRION INC	36,441,575,424	Medical-Generic Drugs	77.02	7.97	12.26	23.69	81.77
MELI US Equity	MERCADOLIBRE INC	51,491,061,760	E-Commerce/Services			26.85	14.46	81.11
VEEV US Equity	VEEVA SYSTEMS INC-CLASS A	38,161,281,024	Enterprise Software/Serv	92.06	5.29	16.72	25.25	80.69

Note the "impressive" array of PER/PEG/PB and P/Sales ratios on offer after some spectacular gains ^^^

Let's have a look at some of the sky rockets in flight

IS >40x P/SALES AND
> 40x PEG RATIO
A LOT? THAT'S WHAT SHOPIFY-CANADA'S LARGEST STOCK BY MKT CAP (DEFINITELY NOT BY PROFIT) IS TRADING ON ACCORDING TO BLOOMBERG

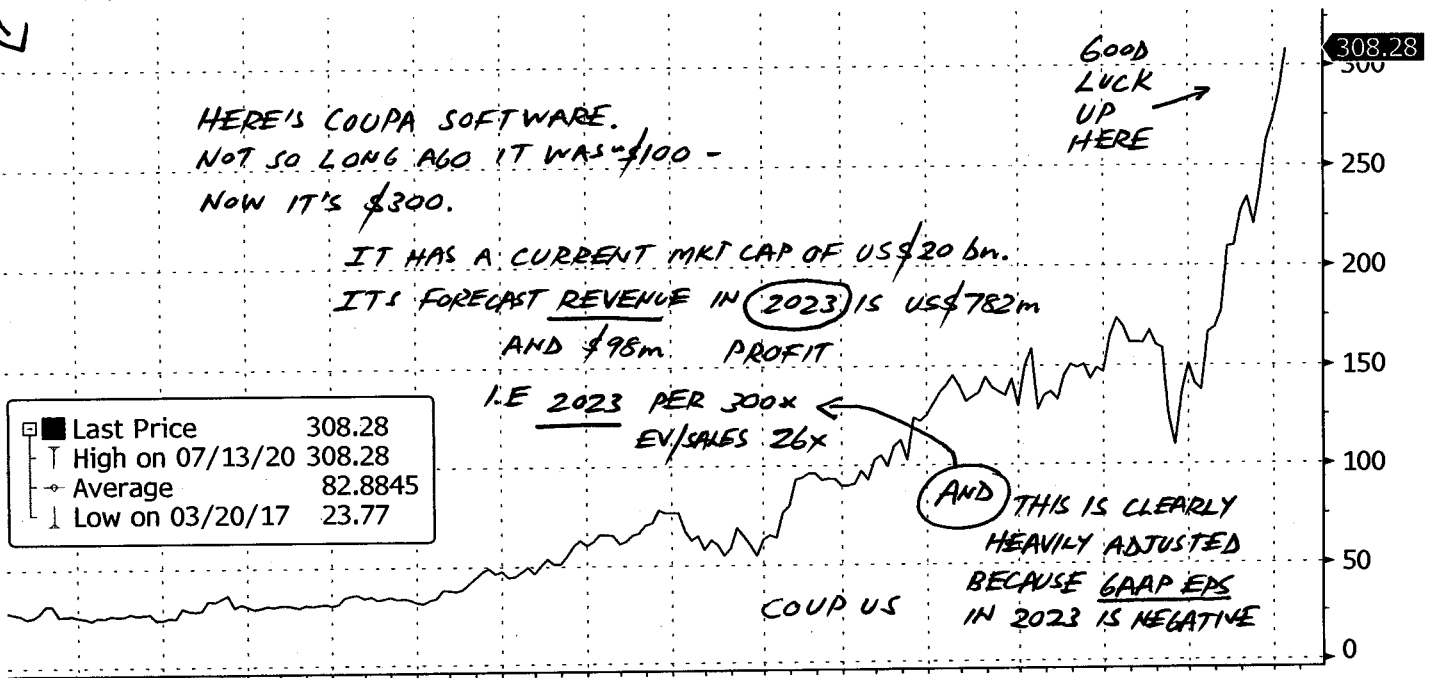
The price of a stock:

- 1) the Future Cash flows of a company
- 2) what people are willing to pay for them

⊗ boy is #2 hard to model...

Global Large Caps (mkt cap >US\$20bn) - Highest PEG Ratio

Ticker	Name	Market Cap	Ind Subgroup	BEst P/E BF12M	BEst PEG Ratio:Y	BEst P/B BF12M	BEst P/S BF12M	YTD Ret
6066 HK Equity	CSC FINANCIAL CO LTD-H	48,023,334,912	Finance-Invest Bnkr/Brkr	12.69	90.01	1.38	17.17	85.45
SHOP CN Equity	SHOPIFY INC - CLASS A	123,472,412,672	Web Hosting/Design	1802.48	44.76		48.32	171.63
COUP US Equity	COUPA SOFTWARE INC	20,677,541,888	Enterprise Software/Serv	628.45	22.50	11.51	37.72	110.79
600588 CH Equity	YONYOU NETWORK TECHNOLOGY-A	24,172,558,336	Enterprise Software/Serv	134.19	21.80	18.39	15.29	139.02
SQ US Equity	SQUARE INC - A	56,258,928,640	Commercial Serv-Finance	200.18	18.23	29.50	10.74	104.68
DOCU US Equity	DOCUSIGN INC	38,557,044,736	Data Processing/Mgmt	327.61	14.35	64.92	25.98	183.51
TESLA US Equity	TESLA INC	286,549,475,328	Auto-Cars/Light Trucks	185.24	10.46	23.81	8.60	269.24
068270 KS Equity	CELLTRION INC	36,441,575,424	Medical-Generic Drugs	77.02	7.97	12.26	23.69	81.77
1211 HK Equity	BYD CO LTD-H	32,180,951,040	Auto-Cars/Light Trucks	74.33	6.98	3.59	1.51	131.40
DXCM US Equity	DEXCOM INC	40,598,499,328	Drug Delivery Systems	165.68	6.40	31.31	20.26	100.99
981 HK Equity	SEMICONDUCTOR MANUFACTURING	30,420,717,568	Semicon Compo-Intg Circuits	119.82	5.98	3.92	7.91	251.34
300750 CH Equity	CONTEMPORARY AMPEREX TECHN-A	64,295,579,648	Batteries/Battery Sys	84.17	5.46	10.31	7.41	110.94
PLZL RM Equity	POLYUS PJSC	25,037,248,512	Gold Mining	13.87	5.36	9.11	5.32	84.56
VEEV US Equity	VEEVA SYSTEMS INC-CLASS A	38,161,281,024	Enterprise Software/Serv	92.06	5.29	16.72	25.25	80.69
ADYEN NA Equity	ADYEN NV	47,158,509,568	Commercial Serv-Finance	129.46	4.70	31.27	54.47	91.45
ZM US Equity	ZOOM VIDEO COMMUNICATIONS-A	77,823,754,240	Computer Software	204.28	4.15	49.49	38.44	305.45



■ Last Price	308.28
↑ High on 07/13/20	308.28
○ Average	82.8845
↓ Low on 03/20/17	23.77

↓ THIS DOESN'T MAKE THE LIST ABOVE BECAUSE IT HAS: NIL REV / NIL PROFIT

Nikola: Vaporware Selling For ~\$25 Billion

- Founder and chairman Trevor Milton told CNBC that's because investors "don't care."
- Instead, they care about reducing emissions and the promise of Nikola's technology.

MangoTree Analysis
Long/short equity, tech, chipmakers, social networking

↓ AT LEAST THESE HAVE SALES

Price-To-Sales Sends A Warning

Written by Lance Roberts | Jul 7, 2020

Just after the "dot.com" bust, I wrote a valuation article quoting Scott McNeely. He was the CEO of Sun Microsystems at the time. At its peak, the stock was trading at 10x its sales. (Price-to-Sales ratio) In a Bloomberg interview, Scott made the following point.

"At 10 times revenues, to give you a 10-year payback, I have to pay you 100% of revenues for 10 straight years in dividends. That assumes I can get that by my shareholders. It also assumes I have zero cost of goods sold, which is very hard for a computer company.

That assumes zero expenses, which is really hard with 39,000 employees. That assumes I pay no taxes, which is very hard. And that assumes you pay no taxes on your dividends, which is kind of illegal. And that assumes with zero R&D for the next 10-years, I can maintain the current revenue run rate.

Now, having done that, would any of you like to buy my stock at \$64? Do you realize how ridiculous those basic assumptions are? You don't need any transparency. You don't need any footnotes.

What were you thinking? (PROBABLY VERY LITTLE)

ALRIGHTY THEN - LET'S GO TO LA LA LAND

Global Large Caps (mkt cap >US\$20bn) - Highest P/Sales Ratio

Ticker	Name	Market Cap	Ind Subgroup	BEST P/E BF12M	BEST PEG Ratio:Y	BEST P/B BF12M	BEST P/S BF12M	YTD Tot Ret
688111 CH Equity	BEIJING KINGSOFT OFFICE SO-A	25,752,350,720	Computer Software	191.90		26.45	54.80	165.60
ADYEN NA Equity	ADYEN NV	47,158,509,568	Commercial Serv-Finance	129.46	4.70	31.27	54.47	91.38
SHOP CN Equity	SHOPIFY INC - CLASS A	123,472,412,672	Web Hosting/Design	1802.48	44.76		48.32	171.63
688012 CH Equity	ADVANCED MICRO-FABRICATION-A	20,569,507,840	Electronic Compo-Semicon	415.17		33.80	47.45	193.72
DDOG US Equity	DATADOG INC - CLASS A	28,863,092,736	Computer Software	1643.49		35.33	43.33	155.19
ZM US Equity	ZOOM VIDEO COMMUNICATIONS-A	77,823,754,240	Computer Software	204.28	4.15	49.49	38.44	305.45
COUP US Equity	COUPA SOFTWARE INC	20,677,541,888	Enterprise Software/Serv	628.45	22.50	11.51	37.72	110.79
OKTA US Equity	OKTA INC	27,255,775,232	Internet Applic Sftwr			61.31	30.94	89.59
300059 CH Equity	EAST MONEY INFORMATION CO-A	29,517,166,592	Finance-Invest Bnkr/Brkr	62.11	2.13	6.98	29.92	105.19
CRWD US Equity	CROWDSTRIKE HOLDINGS INC - A	25,138,618,368	Computer Data Security	2112.72		17.30	28.54	133.91
2269 HK Equity	WUXI BIOLOGICS CAYMAN INC	25,413,519,360	Medical Labs&Testing Srv	105.97	5.09	11.97	27.58	58.54
TTD US Equity	TRADE DESK INC/THE -CLASS A	21,278,046,208	Advertising Services	153.56	6.87	24.74	26.07	77.84
DOCU US Equity	DOCUSIGN INC	38,557,044,736	Data Processing/Mgmt	327.61	14.35	64.92	25.98	183.51
MRNA US Equity	MODERNA INC	24,344,262,656	Medical-Biomedical/Gene			7.29	25.63	220.09
VEEV US Equity	VEEVA SYSTEMS INC-CLASS A	38,161,281,024	Enterprise Software/Serv	92.06	5.29	16.72	25.25	80.69
TEAM US Equity	ATLASSIAN CORP PLC-CLASS A	47,394,516,992	Enterprise Software/Serv	148.07	6.33	38.50	24.00	59.55
068270 KS Equity	CELLTRION INC	36,441,575,424	Medical-Generc Drugs	77.02	7.97	12.26	23.69	81.77
SGEN US Equity	SEATTLE GENETICS INC	30,180,296,704	Medical-Biomedical/Gene			33.68	22.04	52.59
2413 JP Equity	M3 INC	31,074,435,072	Internet Content-Info/News	116.27	7.14	17.90	21.53	51.25
DXCM US Equity	DEXCOM INC	40,598,499,328	Drug Delivery Systems	165.68	6.40	31.31	20.26	100.99
RNG US Equity	RINGCENTRAL INC-CLASS A	25,007,949,824	Communications Software	266.81	12.71	50.30	19.79	68.67
600519 CH Equity	KWEICHOW MOUTAI CO LTD-A	307,588,431,872	Beverages-Wine/Spirits	42.40	3.10	12.41	19.76	52.39
TWLO US Equity	TWILIO INC - A	33,693,939,712	Computer Software	5549.89		7.78	19.59	144.79
WPM CN Equity	WHEATON PRECIOUS METALS CORP	20,962,269,184	Precious Metals	46.68	10.31	3.70	19.55	65.04
GMAB DC Equity	GENMAB A/S	22,995,077,120	Medical-Biomedical/Gene	42.30	1.60	7.30	17.42	56.26
300760 CH Equity	SHENZHEN MINDRAY BIO-MEDIC-A	55,348,219,904	Medical Products	62.49		15.23	17.28	82.19
6066 HK Equity	CSC FINANCIAL CO LTD-H	48,023,334,912	Finance-Invest Bnkr/Brkr	12.69	90.01	1.38	17.17	85.45
000661 CH Equity	CHANGCHUN HIGH & NEW TECH-A	26,309,074,944	Therapeutics	58.21		15.25	17.09	112.09
NVDA US Equity	NVIDIA CORP	257,789,542,400	Electronic Compo-Semicon	46.77	2.73	13.64	16.41	78.34
GSX US Equity	GSX TECHEDU INC- ADR	20,912,510,976	Educational Software	137.83		47.67	16.08	300.87
600588 CH Equity	YONYOU NETWORK TECHNOLOGY-A	24,172,558,336	Enterprise Software/Serv	134.19	21.80	18.39	15.29	139.02
SNAP US Equity	SNAP INC - A	36,901,998,592	Internet Content-Entmnt			20.88	14.49	56.34
MELI US Equity	MERCADOLIBRE INC	51,491,061,760	E-Commerce/Services			26.85	14.46	81.11
300015 CH Equity	AIER EYE HOSPITAL GROUP CO-A	27,046,656,000	Medical-Hospitals	91.15		21.04	13.95	54.36
241 HK Equity	ALIBABA HEALTH INFORMATION T	37,093,244,928	Retail-Drug Store	506.97		46.60	13.24	142.22
000858 CH Equity	WULIANGYE YIBIN CO LTD-A	114,794,528,768	Beverages-Wine/Spirits	37.59	2.10	8.80	12.90	66.26
603259 CH Equity	WUXI APTEC CO LTD-A	33,322,870,784	Medical Labs&Testing Srv	77.31		10.97	12.58	60.05
002607 CH Equity	OFFCN EDUCATION TECHNOLOGY-A	26,178,447,360	Schools	65.23		26.84	12.16	77.35
DIM FP Equity	SARTORIUS STEDIM BIOTECH	24,832,604,160	Medical Products	62.77	3.95	13.97	11.78	62.75
PDD US Equity	PINDUODUO INC-ADR	104,552,767,488	E-Commerce/Products			33.77	11.67	130.83
4519 JP Equity	CHUGAI PHARMACEUTICAL CO LTD	84,777,410,560	Medical-Drugs	34.55	2.86	6.65	11.48	61.40
SE US Equity	SEA LTD-ADR	57,230,118,912	Entertainment Software				11.22	200.85
SQ US Equity	SQUARE INC - A	56,258,928,640	Commercial Serv-Finance	200.18	18.23	29.50	10.74	104.68
300122 CH Equity	CHONGQING ZHIFEI BIOLOGICA-A	25,554,190,336	Medical-Whsle Drug Dist	50.13		18.71	10.19	147.62
603501 CH Equity	WILL SEMICONDUCTOR LTD-A	30,104,393,728	Electronic Compo-Semicon	76.56		18.54	9.50	71.21
PYPL US Equity	PAYPAL HOLDINGS INC	209,470,308,352	Commercial Serv-Finance	47.14	3.38	10.04	9.42	64.93
NFLX US Equity	NETFLIX INC	241,333,665,792	Internet Content-Entmnt	67.44	2.54	18.76	8.86	69.59
TESLA US Equity	TESLA INC	286,549,475,328	Auto-Cars/Light Trucks	185.24	10.46	23.81	8.60	269.24

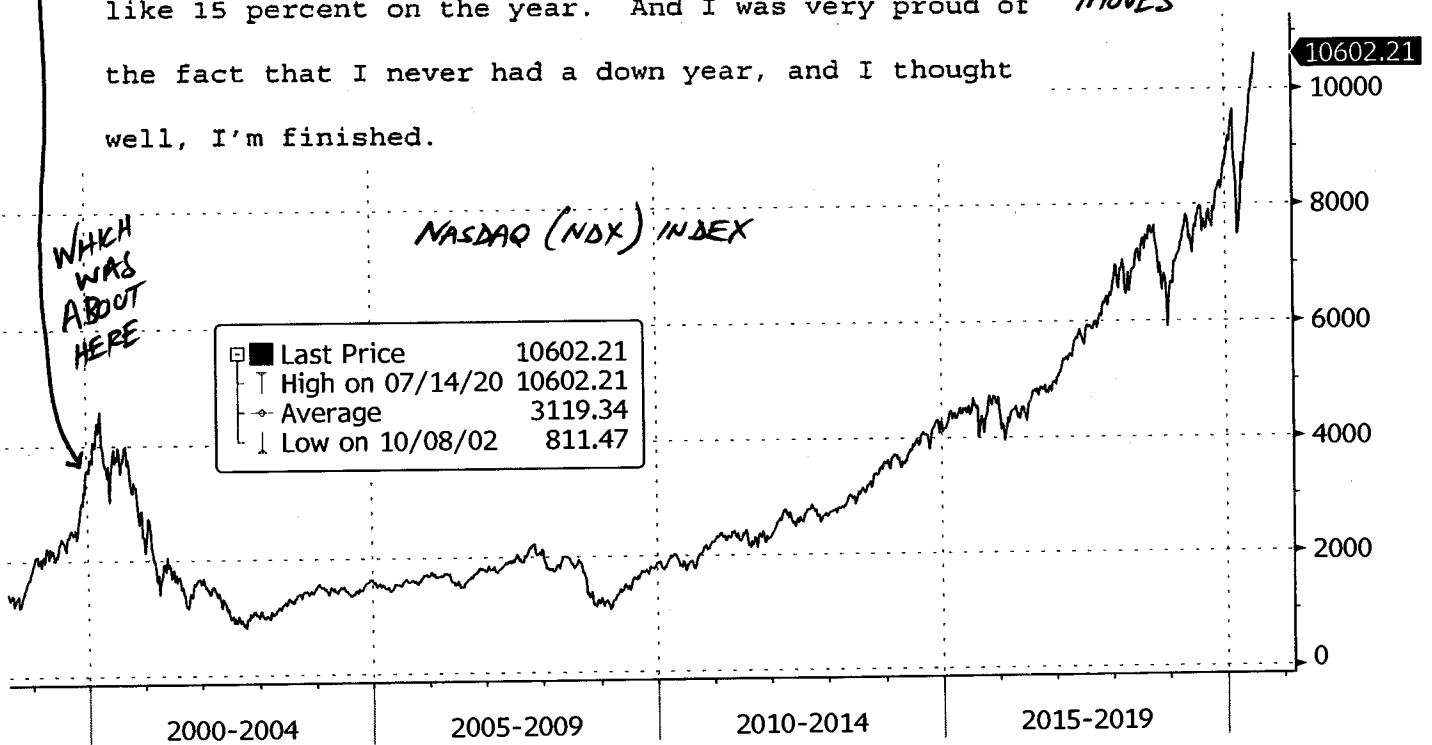
**A LA LA LAND
LESSON FROM
DRUCK THAT YOU
PROBABLY ALREADY
KNOW..... JUST
LIKE HE DID**

KL: You mentioned some of your biggest winners in your career. What is the biggest mistake you made and what did you learn from it?

SD: Well, I made a lot of mistakes, but I made one real doozy. So, this is kind of a funny story, at least it is 15 years later because the pain has subsided a little. But in 1999 after Yahoo and America Online had already gone up like tenfold, I got the bright idea at Soros to short internet stocks. And I put 200 million in them in about February and by mid-march the 200 million short I had lost \$600 million on, gotten completely beat up and was down like 15 percent on the year. And I was very proud of the fact that I never had a down year, and I thought well, I'm finished.

*I HAPPENED UPON THIS
TRANSCRIPT OF A
SPEECH STAN
DRUCKEMILLER GAVE
IN 2015.*

*HERE IS A SNIPPET
OF WHAT HE SAID
REGARDING HIS BIGGEST
MISTAKE WHICH IS
SOMEWHAT TOPICAL
GIVEN TODAY'S TECH/INTERNET
MOVES*



So, the next thing that happens is I can't remember whether I went to Silicon Valley or I talked to some 22-year-old with Asperger's. But whoever it was, they convinced me about this new tech boom that was going to take place. So I went and hired a couple of gun slingers because we only knew about IBM and Hewlett-Packard. I needed Veritas and Verisign. I

wanted the six. So, we hired this guy and we end up on the year - we had been down 15 and we ended up like 35 percent on the year. And the Nasdaq's gone up 400 percent.

So, I'll never forget it. January of 2000 I go into Soros's office and I say I'm selling all the tech stocks, selling everything. This is crazy. [unint.] at 104 times earnings. This is nuts. Just kind of as I explained earlier, we're going to step aside, wait for the net fat pitch. I didn't fire the two gun slingers. They didn't have enough money to really hurt the fund, but they started making 3 percent a day and I'm out. It is driving me nuts. I mean their little account is like up 50 percent on the year. I think Quantum was up seven. It's just sitting there.

JUST 104X PER? AT LEAST THEY HAD EARNINGS

HA

OH DEAR

So like around March I could feel it coming. I just - I had to play. I couldn't help myself. And three times during the same week I pick up a - don't do it. Don't do it. Anyway, I pick up the phone finally. I think I missed the top by an hour. I bought \$6 billion worth of tech stocks, and in six weeks I had left Soros and I had lost \$3 billion in that one play. You asked me what I learned. I didn't learn anything. I already knew that I wasn't supposed to do that. I was just an emotional basket case and couldn't help myself. So, maybe I learned not to do it again, but I already knew that.



THE LESSON

NEXT PAGE

SPOT THE DIFF



2 LISTS: SPOT THE DIFF (PER DBERG DATA)

Top 30 Global Companies by Market Cap

Ticker	Short Name	Market Cap (USD)	Est P/E	Nxt Yr
ARAMCO AB Equity	SAUDI ARABIAN OI	1,783,524,360,192	23.8	
AAPL US Equity	APPLE INC	1,662,997,626,880	25.7	
MSFT US Equity	MICROSOFT CORP	1,620,353,613,824	33.2	
AMZN US Equity	AMAZON.COM INC	1,596,083,273,728	59.2	
GOOGL US Equity	ALPHABET INC-A	1,051,540,389,888	23.0	
BABA US Equity	ALIBABA GRP-ADR	705,944,158,208	22.7	
FB US Equity	FACEBOOK INC-A	698,776,879,104	22.1	
700 HK Equity	TENCENT	666,934,771,712	31.0	
BRK/A US Equity	BERKSHIRE HATH-A	444,141,568,000	17.5	
JNJ US Equity	JOHNSON&JOHNSON	375,087,235,072	16.1	
V US Equity	VISA INC-CLASS A	374,220,488,704	32.0	
WMT US Equity	WALMART INC	370,079,662,080	23.8	
NESN SW Equity	NESTLE SA-REG	327,806,287,872	23.2	
600519 CH Equity	KWEICHOW MOUTA-A	319,904,546,816	38.7	
2330 TT Equity	TSMC	311,773,167,616	19.7	
PG US Equity	PROCTER & GAMBLE	306,707,365,888	23.8	
ROG SW Equity	ROCHE HLDG-GENUS	303,595,159,552	15.5	
MA US Equity	MASTERCARD INC-A	296,785,936,384	33.1	
JPM US Equity	JPMORGAN CHASE	293,336,907,776	11.1	
TSLA US Equity	TESLA INC	286,549,475,328	126.9	
UNH US Equity	UNITEDHEALTH GRP	276,196,556,800	16.3	
HD US Equity	HOME DEPOT INC	268,999,016,448	22.5	
005930 KS Equity	SAMSUNG ELECTRON	265,664,200,704	10.1	
NVDA US Equity	NVIDIA CORP	257,789,542,400	40.5	
601398 CH Equity	IND & COMM BK-A	256,170,672,128	5.6	
INTC US Equity	INTEL CORP	252,050,014,208	12.1	
NFLX US Equity	NETFLIX INC	241,333,665,792	56.9	
MC FP Equity	LVMH MOET HENNE	230,047,924,224	27.9	
VZ US Equity	VERIZON COMMUNIC	225,479,376,896	11.1	
ADBE US Equity	ADOBE INC	223,619,940,352	39.8	

THERE ARE MANY WAYS TO LOOK AT THESE TWO LISTS AND EXPLAIN THE DIFFERENCES - GROWTH BEING ONE OF THEM OF COURSE, AND SUCH THINGS AS SOE-LINKS OR ANTI FOSSIL-FUEL "AVOID" STOCKS - BUT MANY IN THE "INCOME" LIST NOT CURRENTLY IN THE "MKT CAP" LIST WERE AT ONE POINT HIGHLY SOUGHT AFTER. (IN 5-10 YRS WHERE ARE THE FAANGS?)

Top 30 Global Companies by Income

Ticker	Short Name	Net Income (USD)	Market Cap (USD)	P/E
ARAMCO AB Equity	SAUDI ARABIAN OI	88,192,725,929	1,783,524,360,192	
BRK/A US Equity	BERKSHIRE HATH-A	81,417,003,008	444,141,568,000	18.5
AAPL US Equity	APPLE INC	55,255,998,464	1,662,997,626,880	30.0
601398 CH Equity	IND & COMM BK-A	45,206,674,437	256,170,672,128	5.9
939 HK Equity	CCB-H	38,620,067,779	204,634,963,968	5.4
1288 HK Equity	ABC-H	30,709,509,415	164,453,695,488	4.3
3988 HK Equity	BANK OF CHINA-H	27,134,226,588	141,350,207,488	4.1
2318 HK Equity	PING AN	21,632,527,073	212,198,277,120	10.9
BABA US Equity	ALIBABA GRP-ADR	21,457,633,797	705,944,158,208	43.0
7203 JP Equity	TOYOTA MOTOR	19,098,253,318	205,882,146,816	9.2
GAZP RM Equity	GAZPROM	18,599,500,929	67,058,499,584	3.6
005930 KS Equity	SAMSUNG ELECTRON	18,459,953,858	265,664,200,704	17.0
941 HK Equity	CHINA MOBILE	15,440,469,197	145,557,176,320	9.5
700 HK Equity	TENCENT	13,510,284,226	666,934,771,712	48.7
600036 CH Equity	CHINA MERCH BK-A	13,446,142,768	133,239,988,224	9.9
NVTK RM Equity	NOVATEK PJSC	13,382,338,628	44,471,914,496	6.9
SBER RM Equity	SBERBANK	13,064,169,235	64,598,892,544	5.5
3328 HK Equity	BANKCOMM-H	11,189,457,531	51,518,713,856	4.2
2330 TT Equity	TSMC	11,176,057,709	311,773,167,616	22.9
ROSN RM Equity	ROSNEFT	10,947,368,950	54,382,268,416	8.9
INVEB SS Equity	INVESTOR AB-B	10,709,726,969	42,117,537,792	15.2
LKOH RM Equity	LUKOIL	9,898,678,659	49,793,617,920	7.3
601166 CH Equity	INDUSTRIAL BAN-A	9,536,977,898	51,983,720,448	5.5
883 HK Equity	CNOOC	8,838,658,936	51,151,405,056	5.9
1658 HK Equity	POSTAL SAVINGS-H	8,822,442,986	59,169,775,616	5.8
600000 CH Equity	SHANG PUDONG-A	8,529,678,752	48,909,697,024	5.9
2628 HK Equity	CHINA LIFE-H	8,439,330,710	138,855,399,424	8.7
386 HK Equity	SINOPEC CORP-H	8,320,313,713	68,202,262,528	16.4
9432 JP Equity	NIPPON TELEGRAPH	7,867,731,837	92,578,676,736	11.1
600016 CH Equity	CHINA MINSHENG-A	7,792,411,975	35,185,926,144	4.7

IN ANY CASE, HERE ARE THE BIGGEST IN TERMS OF MKT CAP. AND IN TERMS OF PROFIT. ONE HAS (1) STOCK WITH A PER < 10X PER, THE OTHER HAS (19) STOCKS WITH A PER < 10X..... AKA THE TOP 30 INCOME LIST JUST AN OBSERVATION ANOTHER ONE ↓

LA LA LAND LOOKBACK

Jonathan Tepper ☺
@jtepper2

"PRICE IS WHAT YOU PAY,
VALUE IS WHAT YOU GET" (BUFFETT)

Overpaying for quality

In 2000, Walmart traded at 40x PE and market cap was \$250 billion.

Over the next decade, Walmart continued to grow, earnings went up, dividends went up, and everything went well for the company.

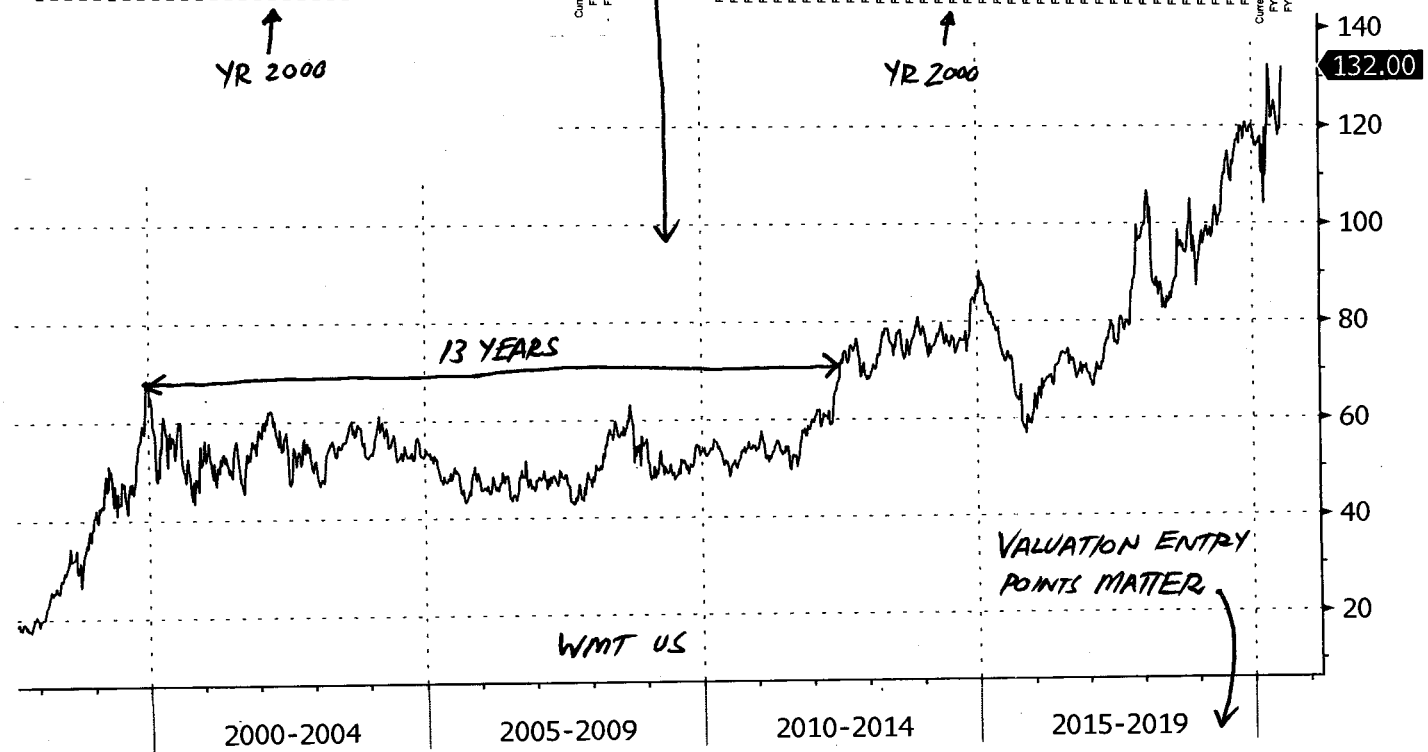
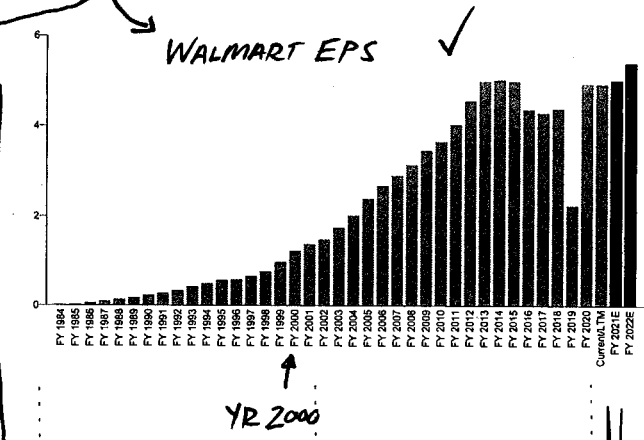
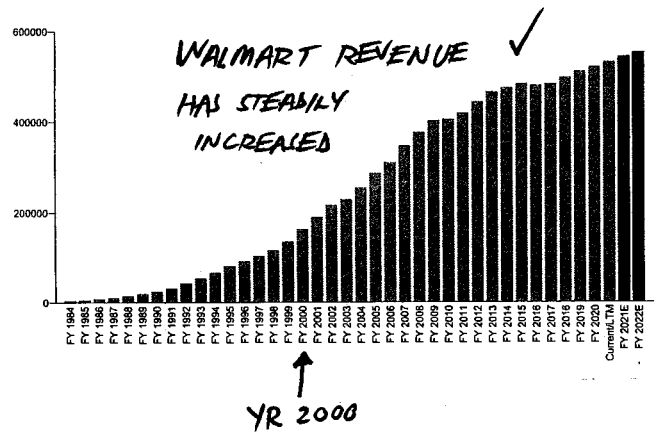
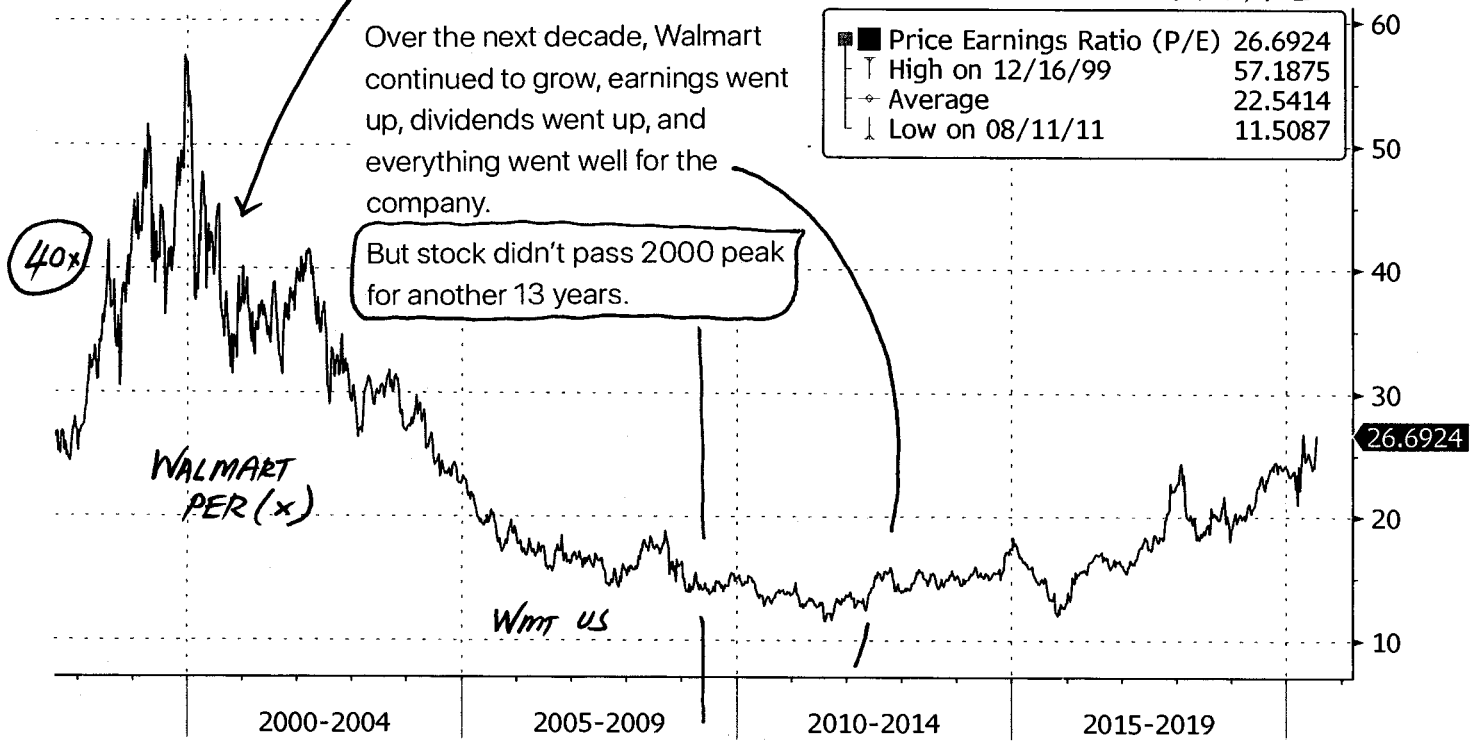
But stock didn't pass 2000 peak for another 13 years.

AVOID

QAAP - QUALITY AT ANY PRICE

GAAP - GROWTH AT ANY PRICE

■	Price Earnings Ratio (P/E)	26.6924
↑	High on 12/16/99	57.1875
+	Average	22.5414
↓	Low on 08/11/11	11.5087



↓ *BEEN* IT'S ALL ABOUT THESE GUYS



S&P 500 Index leaders **YTD**

Ticker	Name	Price	Net Chg	% Chg	Points	%Idx Mv
AMZN UW Equity	Amazon.com Inc	3200	1352.16	+73.18%	68.1	+148.93%
MSFT UW Equity	Microsoft Corp	213.67	56.84	+36.24%	52.4	+114.45%
AAPL UW Equity	Apple Inc	383.68	91.52	+31.32%	45.7	+99.96%
NVDA UW Equity	NVIDIA Corp	419.17	184.12	+78.33%	13.6	+29.78%
NFLX UW Equity	Netflix Inc	548.73	225.16	+69.59%	11.9	+26.09%
FB UW Equity	Facebook Inc	245.07	39.82	+19.40%	11.5	+25.24%
PYPL UW Equity	PayPal Holdings Inc	178.4	70.23	+64.93%	9.9	+21.74%
ADBE UW Equity	Adobe Inc	466.2	136.39	+41.35%	8.0	+17.38%
GOOG UW Equity	Alphabet Inc	1541.74	204.72	+15.31%	7.3	+15.97%
GOOGL UW Equity	Alphabet Inc	1539.01	199.62	+14.90%	7.2	+15.81%
HD UN Equity	Home Depot Inc/The	250.11	34.47	+15.98%	4.6	+9.97%
CRM UN Equity	salesforce.com Inc	198.88	36.24	+22.28%	3.9	+8.52%

S&P 500 Index leaders since the great rally **(from Feb 2016)** began

Ticker	Name	Price	Net Chg	% Chg	Points	%Idx Mv
AAPL UW Equity	Apple Inc	383.68	295.56	+335.39%	164.4	+12.33%
MSFT UW Equity	Microsoft Corp	213.67	168.08	+368.67%	156.9	+11.77%
AMZN UW Equity	Amazon.com Inc	3200	2709.52	+552.42%	131.1	+9.83%
FB UW Equity	Facebook Inc	245.07	144.07	+142.64%	40.3	+3.02%
GOOG UW Equity	Alphabet Inc	1541.74	857.62	+125.36%	30.3	+2.28%
GOOGL UW Equity	Alphabet Inc	1539.01	832.16	+117.73%	29.4	+2.20%
NVDA UW Equity	NVIDIA Corp	419.17	394.27	+1583.64%	27.7	+2.08%
V UN Equity	Visa Inc	192.55	124.53	+183.07%	26.8	+2.01%
NFLX UW Equity	Netflix Inc	548.73	460.28	+520.38%	23.7	+1.78%
MA UN Equity	Mastercard Inc	295.68	214.72	+265.22%	23.7	+1.78%
ADBE UW Equity	Adobe Inc	466.2	390.67	+517.24%	22.7	+1.70%

Holger Zschaepitz
@Schuldensuehner

Big Tech is eating the world:
Combined mkt cap of **#FANGMAN**
(Facebook, Amazon, Netflix,
Google, Microsoft, Apple, Nvidia)
tops \$7tn this week **(equal to)**
combined GDP of **#Germany, #Italy**
and **#Indonesia**.

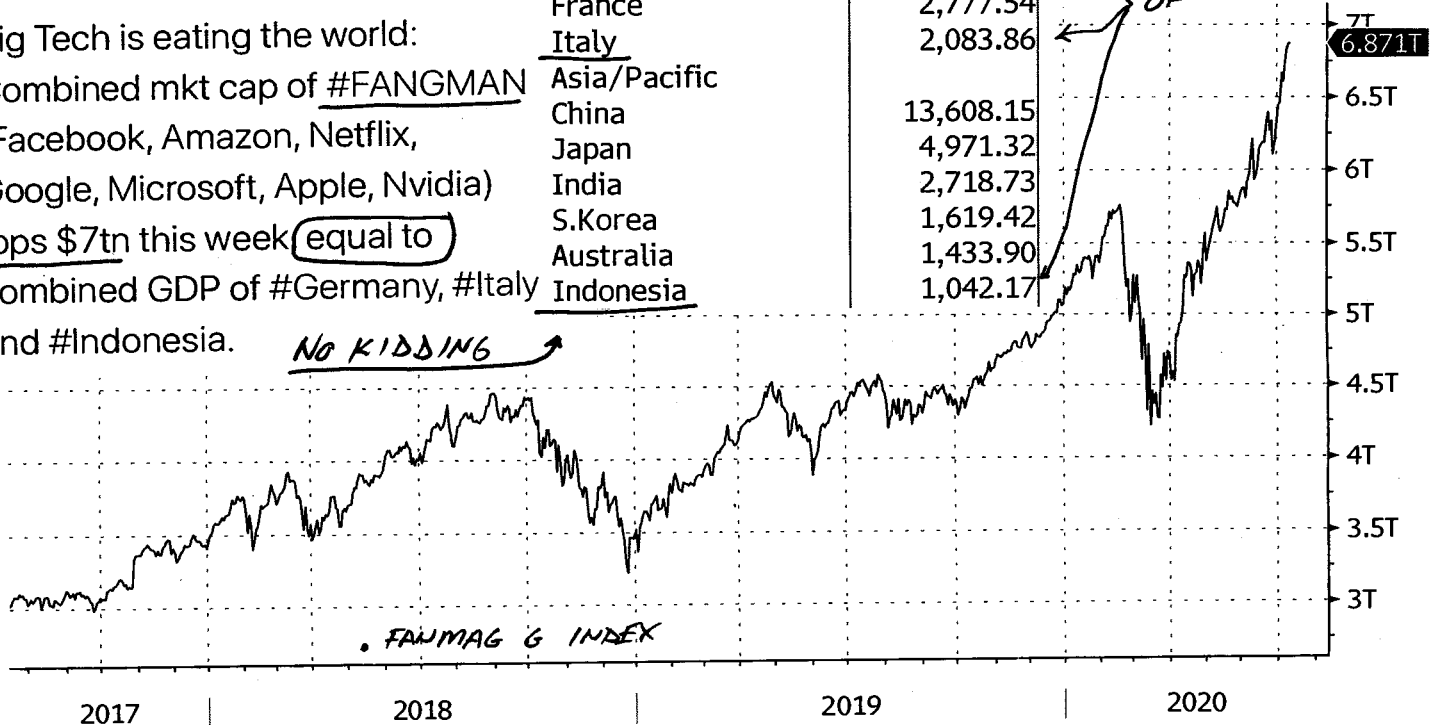
- Germany
- United Kingdom
- France
- Italy
- Asia/Pacific
- China
- Japan
- India
- S.Korea
- Australia
- Indonesia

Country/Region	Annual GDP (BLN USD)
Germany	3,947.62
United Kingdom	2,855.30
France	2,777.54
Italy	2,083.86
Asia/Pacific	13,608.15
China	4,971.32
Japan	4,971.32
India	2,718.73
S.Korea	1,619.42
Australia	1,433.90
Indonesia	1,042.17

A BUNCH OF THESE GUYS NOW

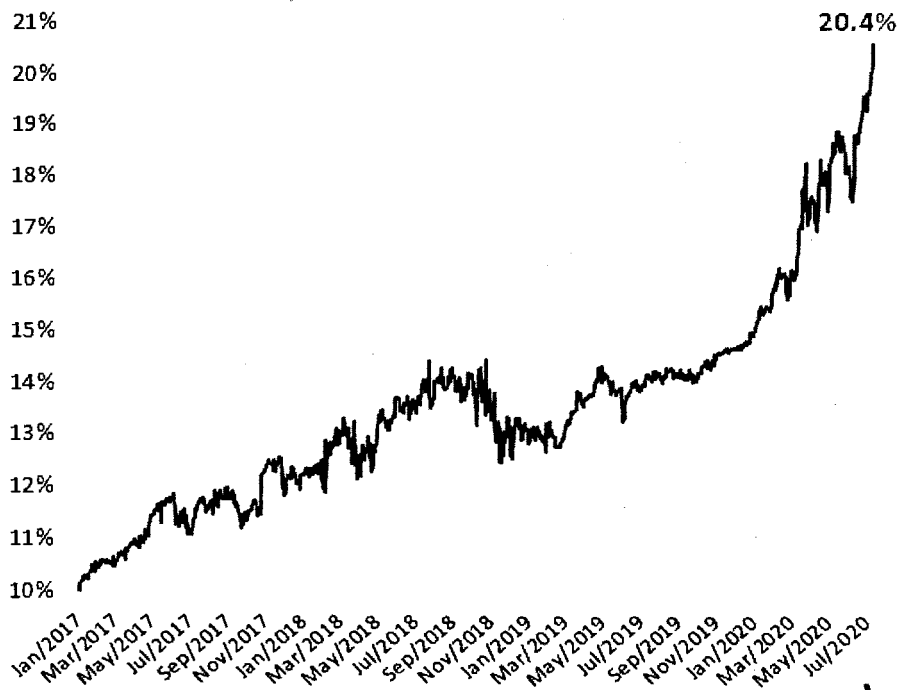
EQUAL GDP OF

NO KIDDING



• FANGMAN INDEX

"Giant 5" as % of Wilshire 5000 Market Cap
 APPL, MSFT, AMZN, GOOG, FB

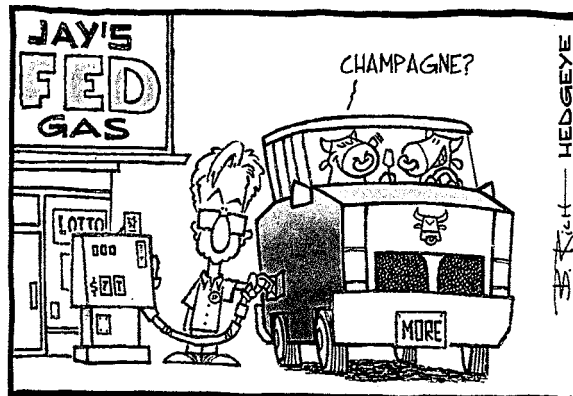


Source of data: YCharts

WOLFSTREET.com

AS WE KNOW

← THE FAB FIVE HAS TAKEN OVER



GIVEN THE ABOVE: THINKING FORWARD

Oaktree's Howard Marks on what he believes must be done in order to achieve superior outperformance:

If your portfolio looks like everyone else's, you may do well, or you may do poorly, *but you can't do different*. And being different is absolutely essential if you want a chance at being superior. In order to get into the top of the performance distribution, you have to escape from the crowd. There are many ways to try. They include being active in unusual market niches; buying things others haven't found, don't like or consider too risky to touch; avoiding market darlings that the crowd thinks can't lose; engaging in contrarian cycle timing; and concentrating heavily in a small number of things you think will deliver exceptional performance.

AKA MARKET DARLINGS

TIME FOR A CHANGE?
 ESPECIALLY IF ANALYSTS - WHO ARE TYPICALLY BULLISH - ARE BEHIND ON TARGET PRICE V ACTUAL PRICE

CNBC - [Michael Santoli@MICHAEL SANTOLI](mailto:Michael.Santoli@MICHAEL SANTOLI)

There is an unusual situation now in which the tech darlings have been barreling higher largely on macro fears and heavy liquidity flows rather than product hype or Wall Street salesmanship. In fact, the consensus analyst price targets for Apple, Microsoft and Amazon are all below the stocks' current quote, according to FactSet.

Company	Consensus Rating	Buy %	Hold %	Sell %	12M Tgt Px	Last Price	Pricing Currency	Return Potential	LTM Return
Apple Inc	4.16	67.4%	23.3%	9.3%	39/47	357.60	USD	-6.4%	90.1%
Amazon.com Inc	4.75	91.2%	7.0%	1.8%	50/61	2894.43	USD	-6.8%	54.4%
Microsoft Corp	4.78	89.2%	10.8%	0.0%	33/39	210.40	USD	1.6%	50.9%

Does this show a helpfully cautious analytical corps serially underestimating today's best companies — a sturdy wall of worry built by Wall Street itself? Or is it a sign the market has carried them beyond even the sell side's typically rosy calculus of fundamental value?

BUT THERE'S MORE

MEGA-CAPS: ANOTHER PROBLEM AS THEY SURGE

Rich Kleinbauer
@RMKOutFront

What makes this market so difficult

The mega stocks (FAANGM) make new all-time highs virtually everyday. (FB & GOOGL are nearly there).

FURTHER
INTO
LA LA LAND

No amount of diversification, position sizing, day-trading or profit taking helps. All-in long in just 6 names. Hard to do

< YEP
HARD

FROM A MONTH OR SO AGO
RECAPPED BUT GIVEN WHAT'S HAPPENED - WORTH THINKING ABOUT

MARKET COMMENTARY

HORIZON KINETICS

1st Quarter 2020

April 2020

So, the stock market might remain elevated, people will be heartened and might feel that the danger is over. But, as my colleague Peter Doyle reminded us recently, through the words of Winston Churchill, that you don't want to fall victim to this thinking: *The danger has not arrived, so the danger has passed.*

Q And what, exactly, is the stock market today? Is that where you want to be? Because it's not what it used to be. I'm not talking stocks in general, I'm talking about the benchmark, the S&P 500 and its equivalents. The recent market decline did not diminish the index concentration or valuation problem, it actually made it more extreme. I won't belabor it - we've gone through it many times before and we have enough to cover - I'm just going to give you a few pertinent touchstones.

In the past month or so, the entire S&P 500 dropped by 5% or 10% in one day, but then in its infinite efficient-market-discounting-mechanism-wisdom determined the next day that the proper valuation is back up by 5% or 10%. At least until the following day. You have to ask, what kind of benchmark is that? That is part of the fallout of indexation having gone to extremes, to becoming, in 2019, over 50% of total invested assets in the U.S. Passive investing no longer had a sufficient pool of actively managed assets into which to sell, if people wished to sell. It just hadn't been tested before. And it's not finished being tested, because people are still defaulting to it.

Indexation has gotten so large that it has become the market, *become* the marginal trade. And being price-indifferent, it has been establishing its own ever-higher clearing prices in an ever-narrower list of the largest companies. This is not my opinion. Here are the figures: *↓ MORE SINCE THEN*

- As of last Friday, April 17th, the big 5 - Facebook, Amazon, Apple, Microsoft and Google - were 20.3% of the value of the S&P 500. Think about it, 5 companies, 1% of the names, 20% of the value. But the concentration risk is greater than that. There are the various companies in their economic ecosystem, interdependent with them in various ways: Netflix, Intel, Cisco, Adobe, Nvidia, Salesforce.com and Paypal. Add these 7 names, and 25.1% of the S&P 500 is in technology.
- To flesh this out, just three companies, Microsoft and Apple and Amazon, 0.6% of the names, are 16.8% of the S&P 500. The S&P 500 has never had this level of concentration.
- To show you what the rising stock market has really been about, in October 2016 - I just happen to have saved the data from that date - the big five were 11.7% of the S&P 500; again, today they're 20.3%. In rough terms, in only 3 1/2 years they almost doubled their share of the index, at the expense of the other 99% of the companies. Just Apple, Amazon and Microsoft more than doubled their weight, from 7.5% to 16.8%.
- And, during this market crisis of the past couple of months, the concentration risk accelerated. Just two more figures: I said that the Big 5 were 20.3% of the S&P 500 last Friday? On December 9th - again, just a particular day's data I happened to have saved - it was only 16.5%. Their market share rose by almost 25% just between the pre-COVID-19 awareness and last week.

THE
WHOLE
POINT?

In the past decade, indexation has not been providing safety via diversification - which is its reason for being - just ever-increasing concentration and valuation risk.

Top 5 Technology Giants	April 16, 2020	December 9, 2019	October 20, 2016
Microsoft Corporation	5.8%	4.4%	2.4%
Apple Inc.	5.1	4.3	3.4
Amazon.com Inc.	4.3	2.8	1.7
Facebook Inc.	1.8	1.9	1.6
Alphabet Inc.	3.2	3.1	2.6
Total	20.3	16.5	11.7

Top 3 Technology Giants	April 16, 2020	December 9, 2019	October 20, 2016
Microsoft Corporation	5.8%	4.4%	2.4%
Apple Inc.	5.1	4.3	2.4
Amazon.com Inc.	4.3	2.8	1.7
Total	15.2	14.8	7.5

Source: SPDR® S&P 500® ETF Trust, iShares Core S&P 500 ETF

How?

Why is this part of the discussion even important? Because you need to know where not to be. Let's just look at the past and the future.

In the **past**, you can see how a portfolio manager who wanted to beat the S&P during the last 10 years would have had to not only own that small, 1% group of concentrated stocks, but would have had to **overweight** all of them. No way around it. That was the major problem for active managers: how could they possibly have kept pace with that? The answer is that they couldn't. That would have been a very big bet on an extremely high-P/E portfolio, like the Nifty Fifty of the 1960s. The results of that era have been widely studied and the lessons were pretty clear. No less clear than the very same lessons of the Internet Bubble in 1999. Now we have the Indexation Bubble.

As to the **future** of the SP 500, as the numbers showed, it is rapidly undiversifying. That leaves two general possibilities.

① The index organizer can place a ceiling on company weightings or arbitrarily reduce the weights. But this is the same rock-and-a-hard-place problem that faced the Federal Reserve in the years after the Credit Crisis. Because reducing the company weightings would be disastrous for the index. What massive quantities of Microsoft stock would have to be sold? And of Apple, and all the rest.

Or, ② The index continues to undiversify, in which case it is no longer really a benchmark for the stock market. Here's just how quickly this can become unworkable.

– The Fab 5, Facebook, Apple, Amazon, Microsoft and Google had combined trailing 12-month revenue of \$915 billion. The consensus of analysts who follow them – and I'm just using the simple average, here – is for 17% more revenue next year and, believe it or not, 18% per year for the next five years. This is the problem with using percentages without reference to units or dollars. 17% revenue growth means \$155 billion additional sales next year. That growth rate is **required** if they are to maintain their high valuations and prices.

– In dollar terms, \$155 billion in new sales is equal to the entire annual sales revenue for the 5th and 8th largest S&P 500 companies, Johnson & Johnson and Procter & Gamble.

– Three years from now, the required sales will be \$1.490 trillion, which is \$420 billion more than the expected 2021 revenues. So in years 2 and 3, the Fab 5 will have to recreate the revenues of the 10th, 11th, 16th, 18th and 19th largest companies in the S&P 500, which are United Health Care, Visa, Master Card, Merck and Pepsico.

Top 5 Technology Giants

	Current	Y1E	Y2E	Y3E	Y4E	Y5E
Revenue	\$915 bill	\$1,071 bill	\$1,263 bill	\$1,491 bill	\$1,759 bill	\$2,076 bill
Consensus Est. Growth		17%	18%	18%	18%	18%
Annual Est. Revenue Increase		156 bill	193 bill	227 bill	268 bill	317 bill
Equal to Total Revenues of*		P&G, J&J		UNH, V, MA, MRK, PEP		

CAN THEY DO IT?



GROWTH EXHAUSTION?

- Can they do it? Just remember that even if they do, but people perceive that they can't keep it up in year 4, the whole sentiment changes, and valuations collapse. Maybe they can keep it up. But each of the Fab 5 have observable and predictable growth limitations or profitability pressures that simply haven't manifested themselves yet in their financial statements.

On a more company- or sector-specific level, here are just three of the serious risks facing the top of the S&P, then I'll leave it alone. Remember, 20% is in just 5 names, and 25% is in a dozen. They each have their own challenges; I'm only using a couple of them as examples.

- o The global economy is temporarily shrinking. Thereafter, the recovery might be slow. Facebook and Google are essentially advertising companies. They make money when people click on links to book flights and hotel rooms and vacation packages, make restaurant reservations. That's certainly not growth. And once the recovery does happen, these two companies, at their projected growth rates, will have something on the order of 90% market share of global digital advertising within 2 years. The global advertising industry only expands by about 3% or so per year. It is a mature, somewhat cyclical business. That is what Google and Facebook will inherit in the foreseeable, predictable future. Investors will eventually learn that the leading IT companies are becoming slow-growth cyclicals.
- o Another issue is that a significant part of tech company employee compensation is paid in stock options. This mostly bypasses the income statement, because only a small portion of the expense of an options package, a highly discounted amount calculated according to the Black Scholes option pricing formula, appears as an expense. The bulk of it comes a few years later when the employee exercises the options. That transaction is recorded directly in the shareholders' equity account, bypassing the income statement. This understates operating expense and it overstates earnings.

BIG AD COS.
BUT AD
COS

You can't see it, though, if you look at the Google income statement. Look at the Shareholders' Equity Statement, and you'll see a curiosity: the company repurchased \$18.4 billion worth of shares last year, yet the share count didn't change. How is that? Because it repurchased the shares that were issued to employees during the year. Compare that \$18 billion of cash expended to Google's net income of \$34.3 billion.

Facebook had net income last year of \$18.5 billion. It also recorded - in shareholders' equity, not on the income statement -- \$4.8 billion of share-based employee compensation, and spent \$4.1 billion on share repurchases. Compare \$4 billion to \$18 billion. It's like the Fed monetizing the debt.

This tactic has been successful for a long time, and it will continue to work so long as the share prices continue to appreciate at a sufficient rate. But if the shares only appreciate modestly, say at a 5% rate, then the stock can't serve the compensation role for employees, the options won't pay off. In that case the company will either have to provide a lot more stock options, which would be even more dilutive than the numbers we just saw, or revert to paying more cash compensation. And that would be right there in the income statement.

Without continued above-normal appreciation, this self-reinforcing process stops.

- o A 3rd risk is political. It's an old pattern, when the leading companies become so large that their business decisions start having national policy implications. Seemingly unassailable companies like Bell Telephone and Microsoft were damagingly sanctioned under anti-trust law. And we're seeing the largest IT/Social Media companies start to move into the government's cross-hairs, and perhaps specifically the Administration's. Some of these companies might present rich political targets during a trying political and social policy period.

Anti-trust is a big hammer that requires a large, public political effort, but the government has different levers of power. Perhaps just a few accounting rule changes are required. Rules that force companies to change the way they account for options grants. This is where the political realm intersects with the economic realm.

Basically, these kinds of stresses among the information technology companies are going to re-form the character of the S&P 500. We really, really don't want to hang around at that party.

FUN.....
UNTIL
IT'S
GONE

LA LA LAWS:
A FEW
COMPARISONS



WHO CAN/NILL DOUBLE NEXT?

LA LA LAND STOCKS OR SOME LAGGARDS

160x PER
17x PB

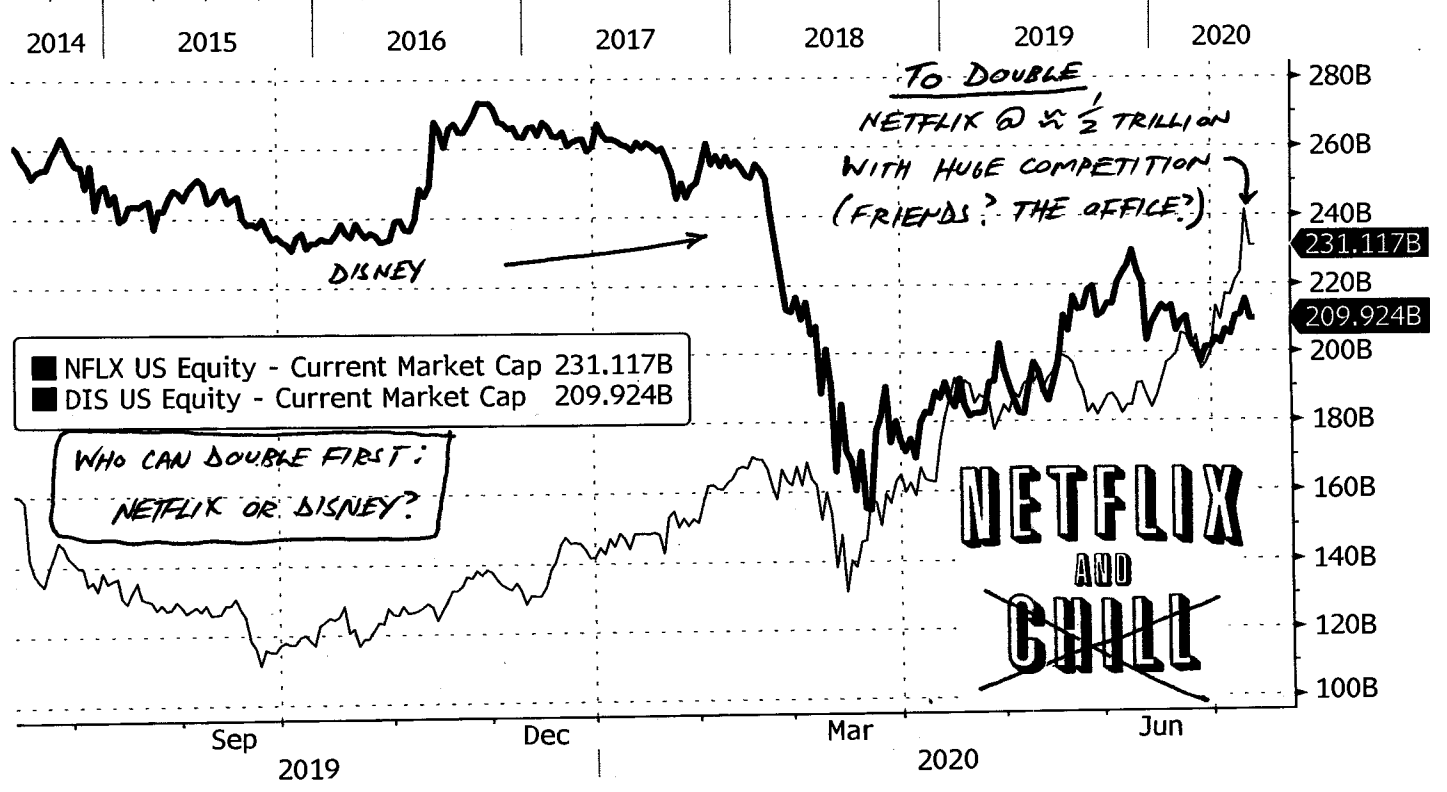
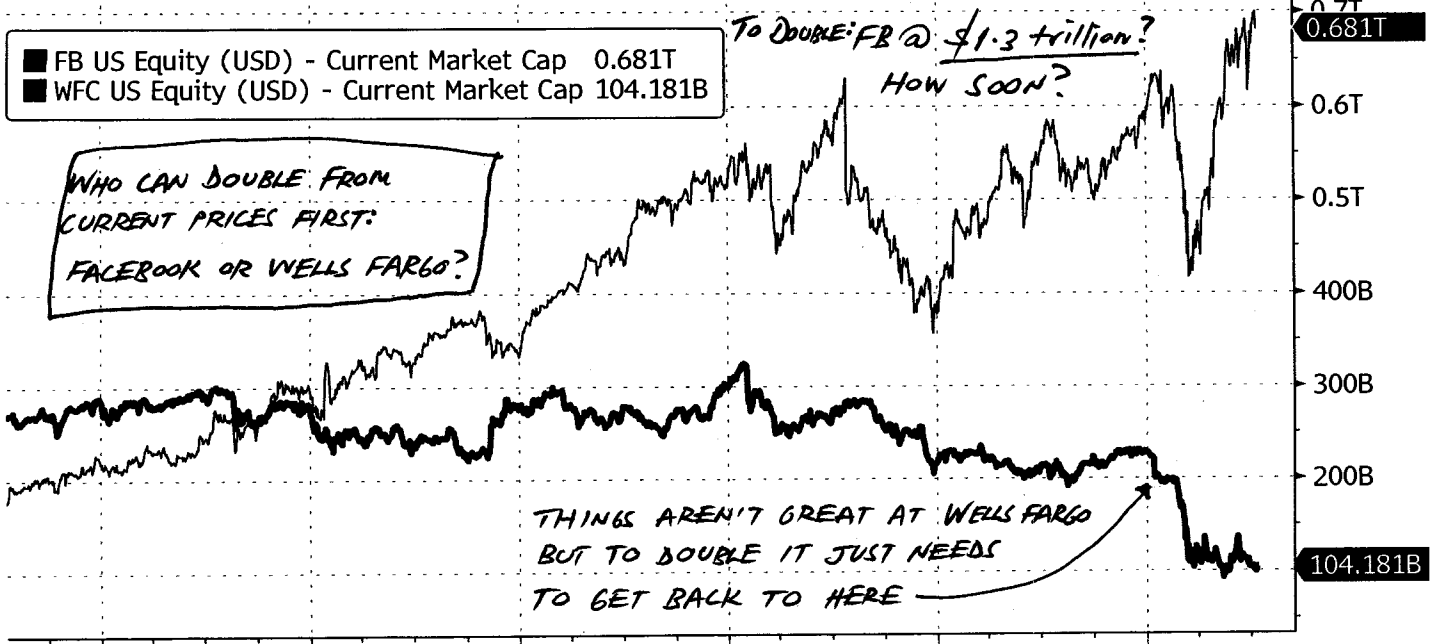
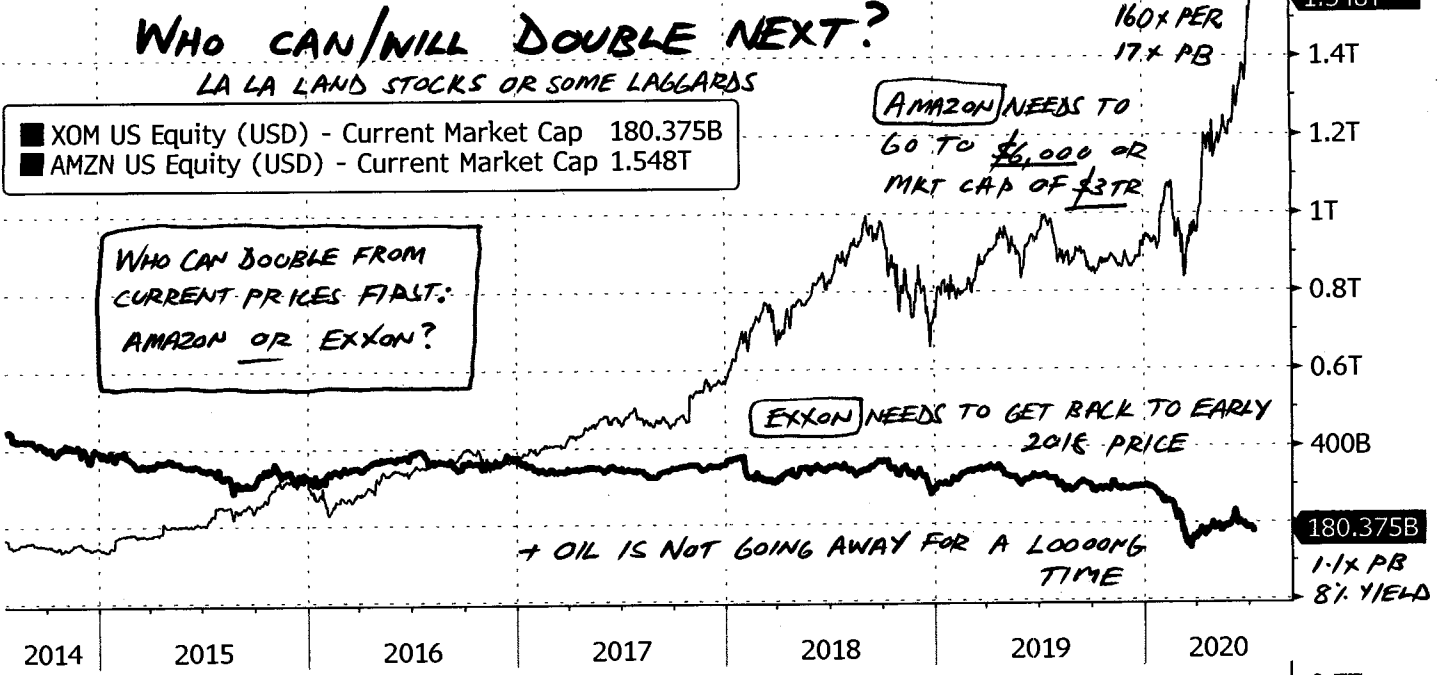
- XOM US Equity (USD) - Current Market Cap 180.375B
- AMZN US Equity (USD) - Current Market Cap 1.548T

WHO CAN DOUBLE FROM CURRENT PRICES FIRST: AMAZON OR EXXON?

AMAZON NEEDS TO GO TO \$6,000 OR MKT CAP OF \$3TR

EXXON NEEDS TO GET BACK TO EARLY 2016 PRICE

+ OIL IS NOT GOING AWAY FOR A LOOOONG TIME



LA LA LAND IS
 WHAT I THOUGHT WHEN I
 READ THIS FROM A U.S BASED
 ANALYST AT A BULGE BRACKET BANK
 (TOO GOOD TO IGNORE)

Senator Eloise Williams CFA, MB...
 @thestinkmarket

Started an EV company last night.
 Taped a double A battery to a Ford
 F-150. Implied valuation: \$69
 billion.

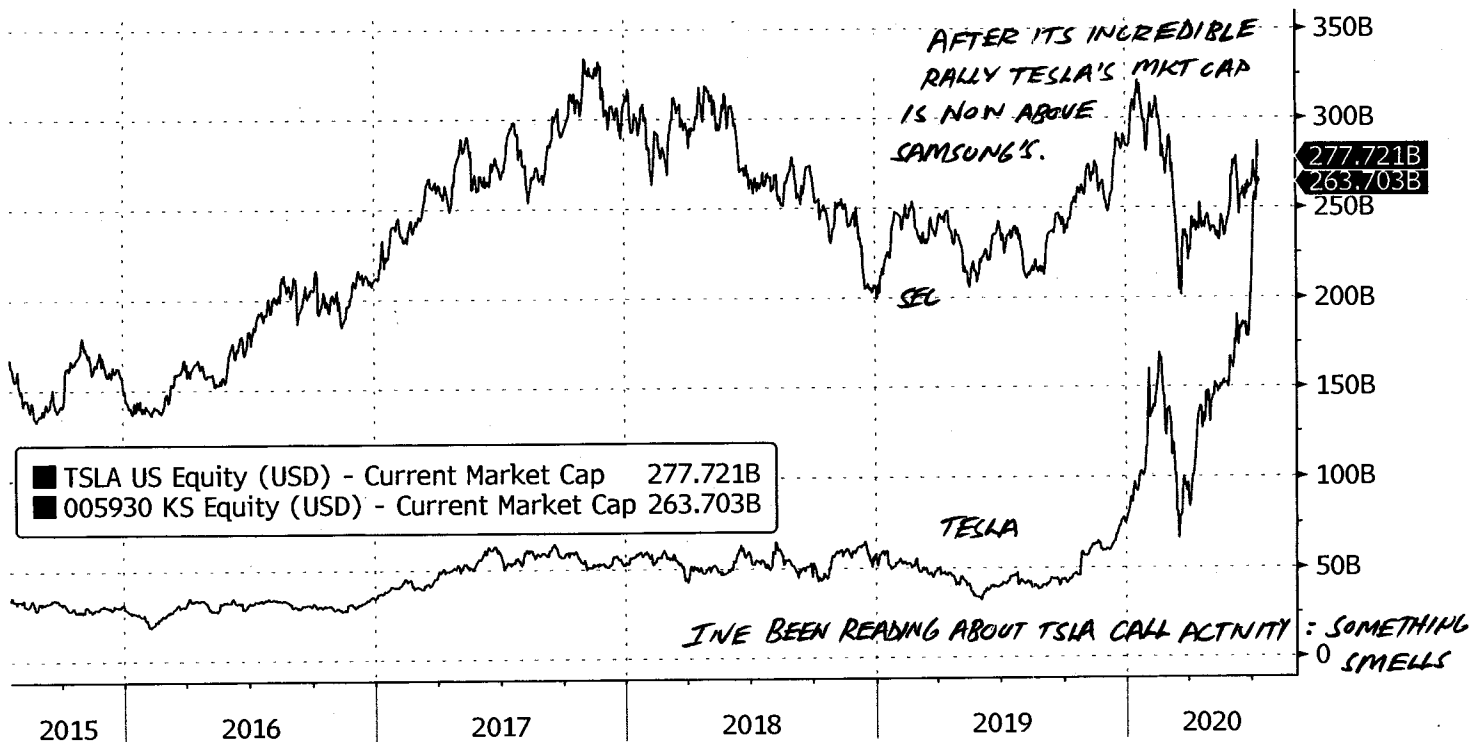
SIGN 'O THE TIMES (X HOPE)

Hope is a powerful force... and for millennia has driven mankind to reach for what was never before thought possible. Does anyone doubt how hope has changed the world? The power of hope, the formation of capital and the movement of share prices have long co-existed in a symbiotic relationship. Hope is the fuel of democratic capitalism. It doesn't always work out, but when it does... it's special. In the case of Tesla, in addition to the company's proven leadership in EVs and sustainable transport, we believe investor hope has been playing an increasingly important role in driving a higher stock price. And the higher stock price is itself a stimulus for investors (and sell side analysts) to solve for forecasts and scenarios that can plausibly justify the higher stock price. As these scenarios are conveyed and contemplated by the market... this contributes to the creation of even more hope (or a validation of hope), which can drive the stock even higher... and so we have a virtuous circle.

JIM IN

WOULD YOU RATHER HAVE ALL THE EQUITY IN SAMSUNG OR TESLA?

AHH 6EEZ



WOULD YOU RATHER TESLA

Or Samsung Electronics?

- CRAZY VALUATION
- LITTLE "MOATS" (PUBBLES?)
- ESG WORRIES

BIG CASH

Bberg ticker	Company	Country	CLSA Rec	Mkt Cap (USDm)	perf YTD	EPS growth 2021	P/E (Core) 2020	P/B 2020	Div yield 2020	EV/ Sales 2020	Revenue 2020	EBITDA 2020	Net profit 2020	Net debt 2020
005930 KS	Samsung Elec	Korea	BUY	262,081	(9.2)	32.4	13.9	1.3	3.2	1.2	186,226	52,359	21,525	-80,263

I CHOOSE SAMSUNG EVERY DAY IN THIS GAME

Strong near-term profit outlook

Solid 2Q beat even excluding one-off, target raised to ₩70,000

SEC's 2Q OP at ₩8.1tn (26% QoQ) beat consensus by 28%. Although OP included a one-off gain of ₩1.0tn at the display business (DP) even excluding that it would have been a solid beat (11%). Memory strength on the back of rising DRAM/NAND ASPs in 2Q was well flagged but smartphone (IM) and consumer electronics (CE) also did better than expected helped by a shipment boost after the lifting of Covid-19 related restrictions in late-May and reduced marketing cost. We raise 20-21CL OP by 13%/7% and target price to ₩70,000 (₩66,000 before). Maintain BUY.

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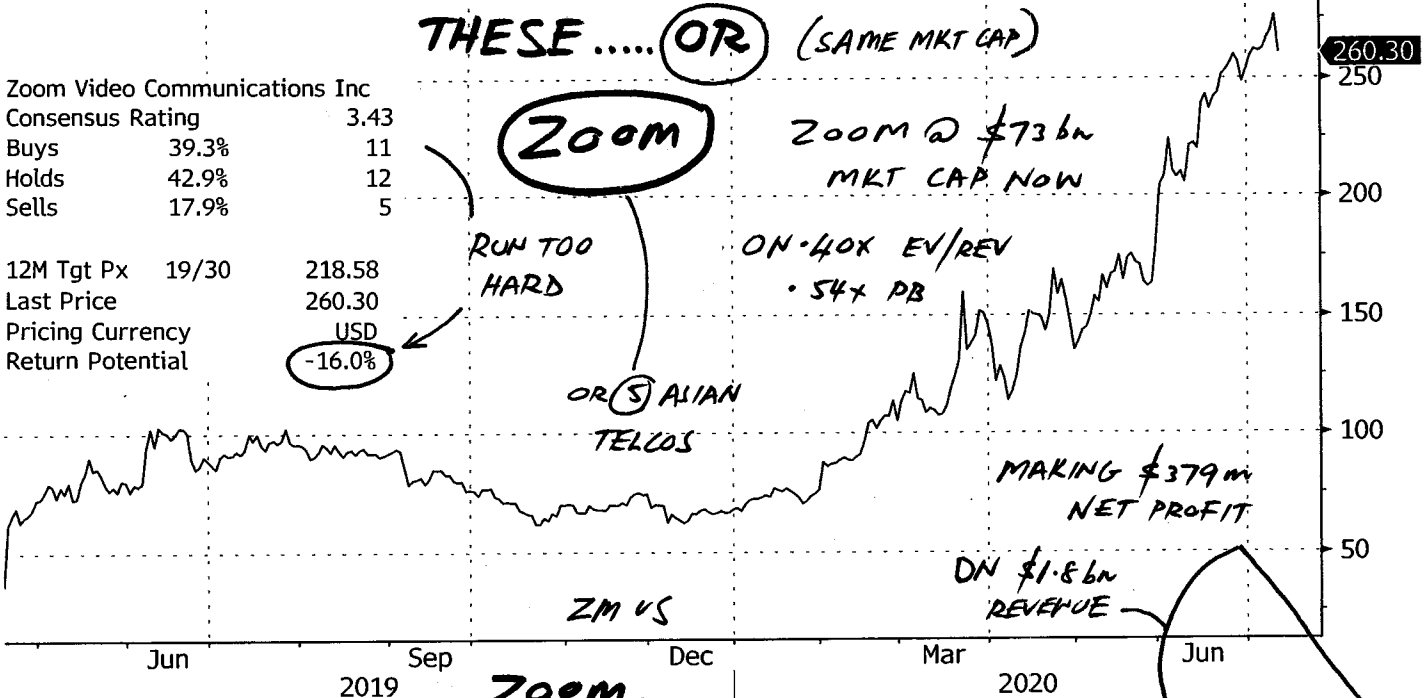
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THESE **OR** (SAME MKT CAP)

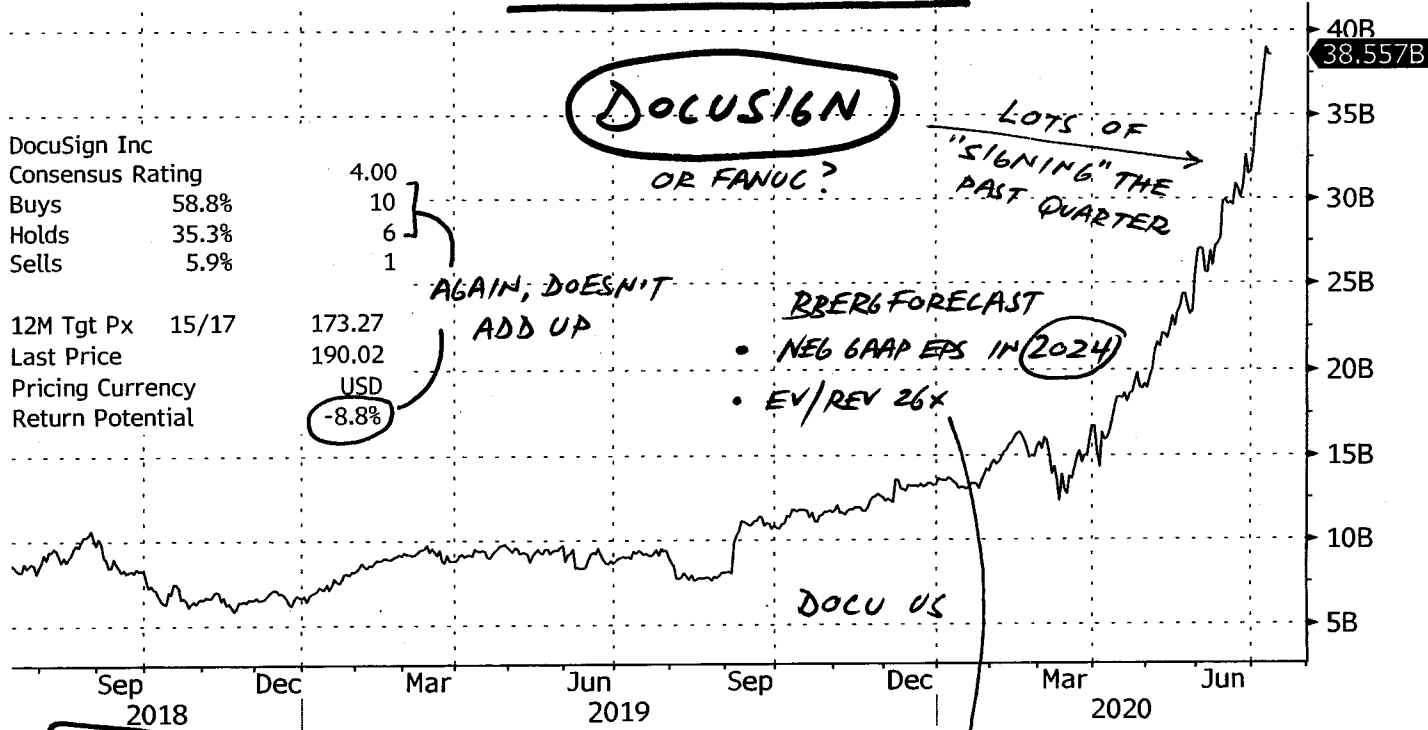
Zoom Video Communications Inc
 Consensus Rating 3.43
 Buys 39.3% 11
 Holds 42.9% 12
 Sells 17.9% 5

12M Tgt Px 19/30 218.58
 Last Price 260.30
 Pricing Currency USD
 Return Potential -16.0%



Or These 5 Telcos entire mkt cap? **ZOOM**

Bberg ticker	Company	Country	CLSA Rec	Upside/ (Downside) to target	Mkt Cap (USDm)	perf YTD	EPS growth 2021	P/E (Core) 2020	P/B 2020	Div yield 2020	EV/ Sales 2020	Revenue 2020	EBITDA 2020	Net profit 2020
TLKM IJ	Telkom	Indonesia	BUY	28.6	21,454	(24.3)	7.8	14.1	3.0	6.3	2.4	9,922	4,907	1,492
762 HK	China Unicom	China	BUY	67.0	18,195	(36.9)	23.5	10.1	0.4	3.6	0.3	42,548	13,723	1,795
ADVANC TB	AIS	Thailand	BUY	26.6	17,986	(15.5)	1.6	19.6	7.4	3.6	4.1	5,481	2,525	917
3045 TT	Taiwan Mobile	Taiwan	OPF	(6.0)	13,817	5.1	(4.2)	26.6	4.8	4.7	2.8	4,517	1,119	409
TEL PM	PLDT	Philippines	BUY	24.9	5,942	41.0	17.0	11.1	2.3	5.1	2.4	3,630	1,671	537
												66,097	23,945	5,150



Or Fanuc? **DOCUSIGN**

Bberg ticker	Company	Country	CLSA Rec	Mkt Cap (USDm)	perf YTD	EPS growth 2021	P/E (Core) 2020	P/B 2020	Div yield 2020	EV/ Sales 2020	Revenue 2020	EBITDA 2020	Net profit 2020	Net debt 2020
6954 JP	Fanuc	Japan	BUY	37,262	(1.3)	30.8	51.8	2.8	1.5	6.1	4,755	1,256	686	-4,982

SAME MKT CAP

Competition and Market Franchise

Fanuc has an estimated 50% share of the global market for CNC equipment. Its main competitor in this area is Siemens AG of Germany, and the two have a controlling 80% share of the world market. In industrial robots, Fanuc is vying for the top position with ABB of Sweden and Yaskawa of Japan, all three players have market shares around 20%.



LA LA LANDS ELSEWHERE

Ex-US/Asia Large Caps (mkt cap >US\$20bn) - Best Performers YTD

Ticker	Name	Market Cap	Ind Subgroup	Best		Best P/B	Best P/S	YTD Tot
				BF12M	Ratio:Y			
SHOP CN Equity	SHOPIFY INC - CLASS A	123,472,412,672	Web Hosting/Design	1802.48	44.76		48.32	171.63
TAQA UH Equity	ABU DHABI NATIONAL ENERGY CO	31,223,232,512	Electric-Generation	11.25			6.01	95.78
NSU GR Equity	AUDI AG	76,772,196,352	Auto-Cars/Light Trucks					95.00
ADYEN NA Equity	ADYEN NV	47,158,509,568	Commercial Serv-Finance	129.46	4.70	31.27	54.47	91.93
PLZL RM Equity	POLYUS PJSC	25,037,248,512	Gold Mining	13.87	5.36	9.11	5.32	84.06
MGLU3 BZ Equity	MAGAZINE LUIZA SA	24,457,146,368	Retail-Discount	224.37	13.97	16.08	4.69	68.21
WPM CN Equity	WHEATON PRECIOUS METALS CORP	20,962,269,184	Precious Metals	46.68	10.31	3.70	19.55	65.04
DIM FP Equity	SARTORIUS STEDIM BIOTECH	24,832,604,160	Medical Products	62.77	3.95	13.97	11.78	63.29
WEGE3 BZ Equity	WEG SA	21,551,986,688	Machinery-General Indust	59.72	-4.02	11.27	7.42	58.64
GMAB DC Equity	GENMAB A/S	22,995,077,120	Medical-Biomedical/Gene	42.30	1.60	7.30	17.42	56.53
UCB BB Equity	UCB SA	23,550,648,320	Medical-Drugs	19.48	3.65	2.66	3.90	56.06
LONN SW Equity	LONZA GROUP AG-REG	42,666,782,720	Medical Labs&Testing Srv	37.75	5.52	5.46	6.24	53.89

NOT SMALL

- NEGATIVE EPS (GAAP: BBER6) IN 2022
- 28X EV/REV IN 2023
- ALL THESE ANALYSTS ARE BUYS/HOLDS, YET THIS



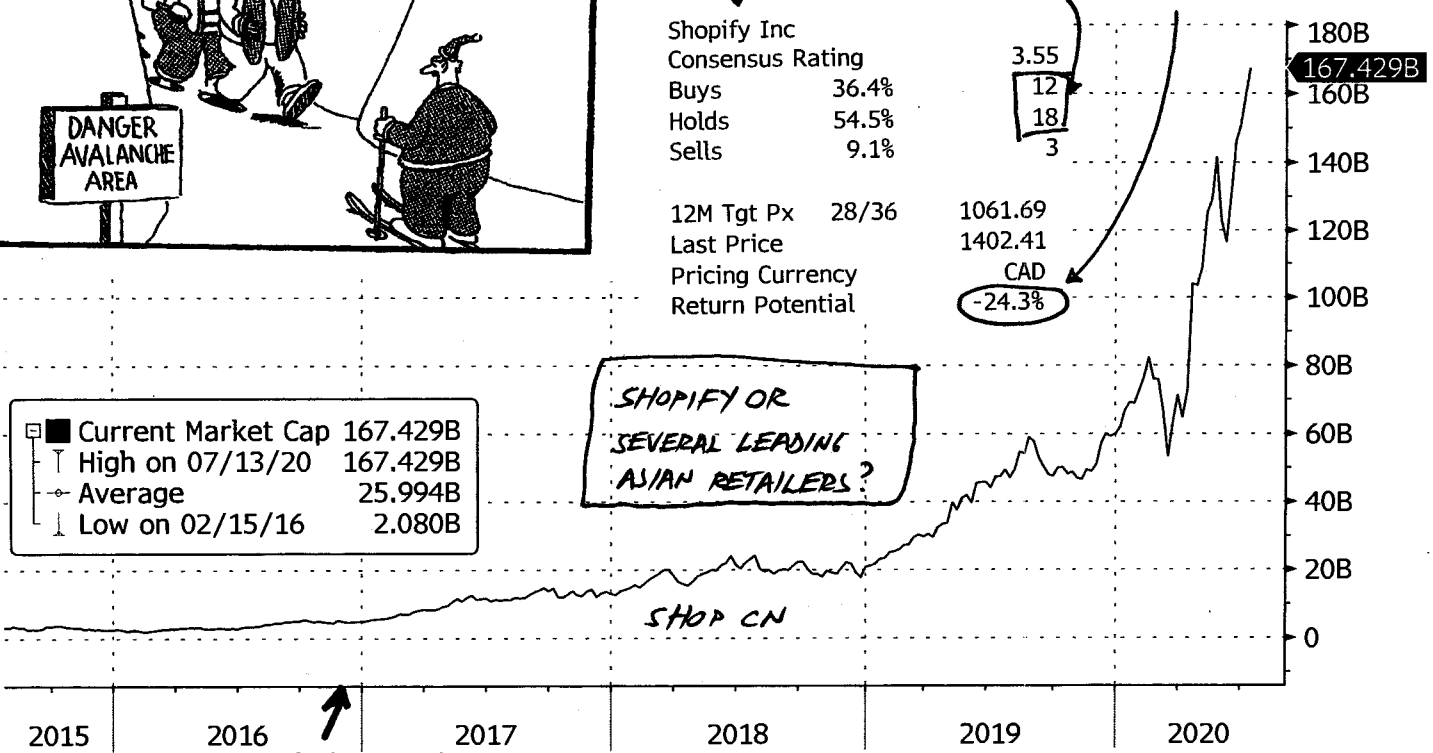
Shopify Inc
 Consensus Rating
 Buys 36.4%
 Holds 54.5%
 Sells 9.1%

12M Tgt Px 28/36
 Last Price 1402.41
 Pricing Currency CAD
 Return Potential -24.3%

3.55
 12
 18
 3

■	Current Market Cap	167.429B
↑	High on 07/13/20	167.429B
—	Average	25.994B
↓	Low on 02/15/16	2.080B

SHOPIFY OR SEVERAL LEADING ASIAN RETAILERS?



SHOPIFY
 Or the entire market cap of these Asian retailer/distributors?

SHOPIFY: 2 BN REV
 S/M
 *EPS

Bberg ticker	Company	Country	CLSA Rec	Mkt Cap (USDm)	perf YTD	EPS growth 2021	P/E (Core) 2020	P/B 2020	Div yield 2020	EV/Sales 2020	Revenue 2020	EBITDA 2020	Net profit 2020
WOW AU	Woolworths	Australia	OPF	33,796	5.5	11.4	28.5	4.6	2.7	0.8	44,332	2,774	1,184
3382 JP	Seven & I	Japan	BUY	27,400	(16.1)	(22.0)	13.4	1.1	3.0	0.3	62,161	6,308	2,041
CPALL TB	CP All	Thailand	BUY	18,852	(13.6)	14.9	28.9	7.1	1.7	1.2	18,303	1,474	653
8028 JP	FamilyMart	Japan	OPF	10,935	(10.7)	41.1	27.0	2.0	1.7	2.1	4,837	2,365	405
2912 TT	President Chain Store	Taiwan	OPF	10,233	(3.2)	6.1	29.9	8.2	2.9	1.0	8,887	664	342
DFI SP	Dairy Farm	Singapore	BUY	6,561		37.0	21.7	5.3	3.0	0.5	11,131	605	302
MAKRO TB	Makro	Thailand	BUY	6,358	27.2	30.9	26.5	8.6	2.8	0.9	7,255	403	240
RRHI PM	Robinsons Retail	Philippine	UPF	1,989	(19.9)	62.6	38.3	1.3	0.8	0.5	3,284	247	52
				116,124							160,189	14,840	5,219

- **Concentration and spill-over risks.** Similar to the U.S., where the top 5 stocks represent 20% of the S&P 500, Table 4 shows the top 5 stocks in EM represent 22.5% of the MSCI EM Index. (However) in EM this risk is mitigated by the companies having strong domestic franchises, high quality, and strong moats around them. (The average ROE in the last 5 years for these companies was 23%.) A large part of the EM earning stream is tied to businesses related to technology and the internet. There is therefore an ironic "symbiotic" relationship between the U.S. (S&P 500 and NASDAQ) and Chinese stock markets.

BUT IT'S NOT LIKE ASIA HAS BEEN HIDING IN A CORNER

TABLE 4: CONCENTRATION RISK – TOP 5 STOCKS AS PERCENT OF INDEX

	Top 5 stocks	
	% of Index	Market Value, USD Bn
MSCI EM	22.4%	1949
S&P 500	20.7%	6018
NASDAQ 100	45%	6018

- SIMILAR CONCENTRATION
- SIMILAR IMPACT

As of 5/31/2020 | Source: Bloomberg, GMO

MSCI Asia Apex 50 Index leaders since the great rally (from Feb 2016) began

Ticker	Name	Price	Net Chg	% Chg	Points	%Idx Mv
700 HK Equity	Tencent Holdings Ltd	549	406.97	+286.53%	179.0	+25.38%
BABA UN Equity	Alibaba Group Holding Ltd	261.01	199.23	+322.48%	151.5	+21.48%
2330 TT Equity	Taiwan Semiconductor Manufactu	354.5	231.6	+188.44%	127.5	+18.09%
005930 KP Equity	Samsung Electronics Co Ltd	53600	32581	+155.01%	90.0	+12.77%
1299 HK Equity	AIA Group Ltd	75.6	39.11	+107.19%	33.7	+4.77%
2318 HK Equity	Ping An Insurance Group Co of	88.5	58.14	+191.49%	26.1	+3.70%
939 HK Equity	China Construction Bank Corp	6.34	2.82	+79.89%	23.0	+3.26%
388 HK Equity	Hong Kong Exchanges & Clearing	364.6	215.79	+145.01%	18.9	+2.68%
000660 KP Equity	SK Hynix Inc	83200	56808	+215.25%	17.8	+2.52%
JD UW Equity	JD.com Inc	65.61	41	+166.60%	16.6	+2.35%
3690 HK Equity	Meituan Dianping	208.6	61.9	+42.19%	15.5	+2.20%
NTES UW Equity	NetEase Inc	484.46	359.49	+287.65%	14.7	+2.09%

Tencent Holdings Ltd
Consensus Rating
Buys 92.9%
Holds 7.1%
Sells 0.0%

▼ 4.84
52
4
0

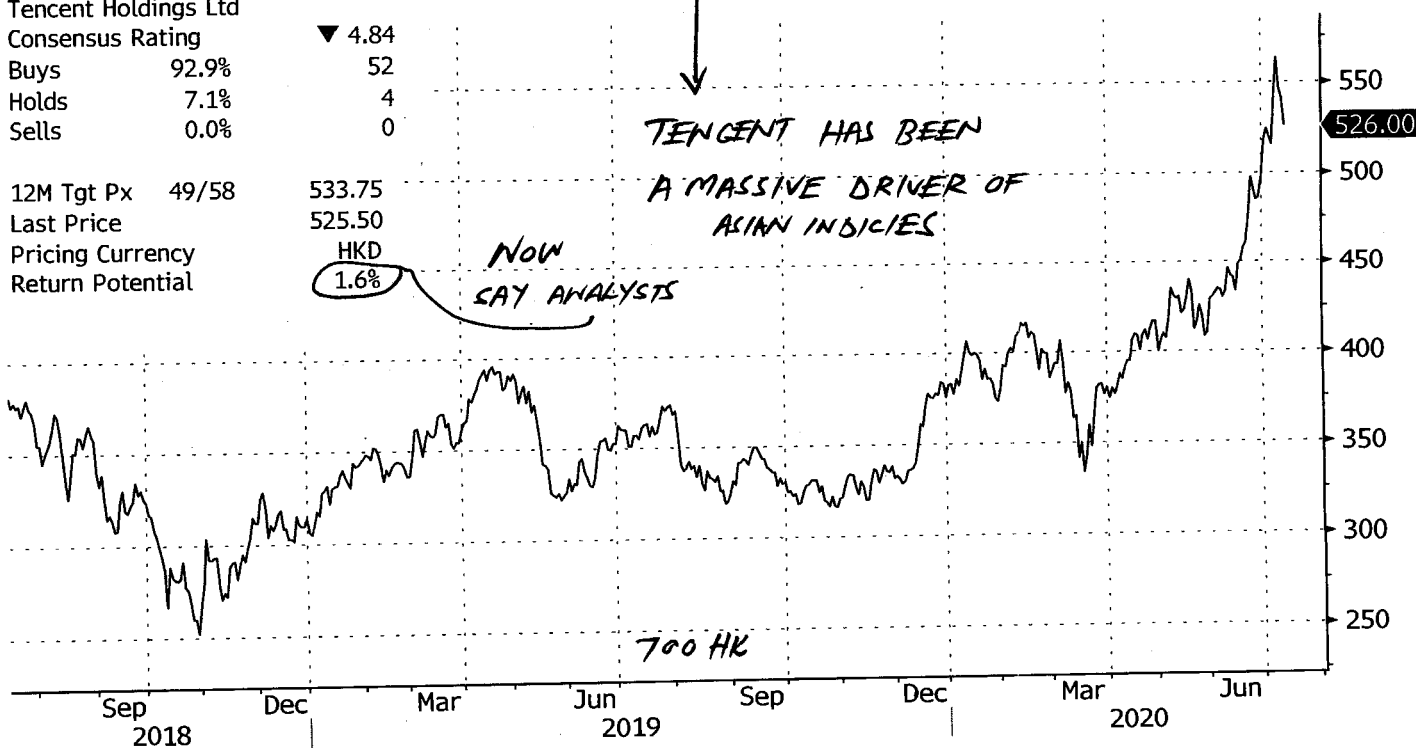
12M Tgt Px 49/58
Last Price
Pricing Currency
Return Potential

533.75
525.50
HKD
1.6%

NOW SAY ANALYSTS

TENCENT HAS BEEN A MASSIVE DRIVER OF ASIAN INDICES

700 HK



KABOOM: LA LA LAND IN CHINA



China Large Caps (mkt cap >US\$20bn) - Best YTD performance

Ticker	Name	Market Cap	Ind Subgroup	Best				YTD Tot
				Best P/E	PEG	Best P/B	Best P/S	
GSX US Equity	GSX TECHEDU INC- ADR	20,912,510,976	Educational Software	137.83		47.67	16.08	264.23
981 HK Equity	SEMICONDUCTOR MANUFACTURING	30,420,717,568	Semicon Compo-Intg Circuits	119.82	5.98	3.92	7.91	233.33
708 HK Equity	EVERGRANDE HEALTH INDUSTRY G	22,740,654,080	Retirement/Aged Care					228.19
688012 CH Equity	ADVANCED MICRO-FABRICATION-A	20,569,507,840	Electronic Compo-Semicon	415.17		33.80	47.45	199.44
688111 CH Equity	BEIJING KINGSOFT OFFICE SO-A	25,752,350,720	Computer Software	191.90		26.45	54.80	152.25
300433 CH Equity	LENS TECHNOLOGY CO LTD-A	21,858,533,376	Miscellaneous Manufactur	38.56		5.65	3.74	137.75
300122 CH Equity	CHONGQING ZHIFEI BIOLOGICA-A	25,554,190,336	Medical-Whsle Drug Dist	50.13		18.71	10.19	179.70
241 HK Equity	ALIBABA HEALTH INFORMATION T	37,093,244,928	Retail-Drug Store	506.97		46.60	13.24	140.00
600588 CH Equity	YONYOU NETWORK TECHNOLOGY-A	24,172,558,336	Enterprise Software/Serv	134.19	21.80	18.39	15.29	131.80
PDD US Equity	PINDUODUO INC-ADR	104,552,767,488	E-Commerce/Products			33.77	11.67	130.91
1211 HK Equity	BYD CO LTD-H	32,180,951,040	Auto-Cars/Light Trucks	74.33	6.98	3.59	1.51	112.07
601888 CH Equity	CHINA TOURISM GROUP DUTY F-A	56,763,326,464	Travel Services	71.25	2.44	15.28	6.93	113.60
002475 CH Equity	LUXSHARE PRECISION INDUSTR-A	56,045,379,584	Electronic Compo-Misc	48.93	2.20	12.62	3.77	111.12
000661 CH Equity	CHANGCHUN HIGH & NEW TECH-A	26,309,074,944	Therapeutics	58.21		15.25	17.09	124.94
300750 CH Equity	CONTEMPORARY AMPEREX TECHN-A	64,295,579,648	Batteries/Battery Sys	84.17	5.46	10.31	7.41	99.44
300059 CH Equity	EAST MONEY INFORMATION CO-A	29,517,166,592	Finance-Invest Bnkr/Brkr	62.11	2.13	6.98	29.92	114.04
3690 HK Equity	MEITUAN DIANPING-CLASS B	157,241,688,064	E-Commerce/Products	113.80	2.31	10.74	7.96	99.21
601012 CH Equity	LONGI GREEN ENERGY TECHNOL-A	24,902,832,128	Energy-Alternate Sources	25.86		4.86	3.09	103.38
JD US Equity	JD.COM INC-ADR	101,379,620,864	E-Commerce/Products	38.76	1.17	6.19	0.90	76.36



GSX Techedu

US\$78.21 - SELL

A LOOK AT A FEW

FOR HOW LONG?

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A SURE SIGN OF HMMMM

The new normal

Stock looks pricey even under current market conditions

We have been chastened by GSX's strong performance amid Covid-19 and lots of liquidity. The company is at a cross section of being an absolute and relative beneficiary. As the market continues to focus on sales growth rather than immediate earnings, we change our valuation methodology from PE to P/S. We have increased our enrolment and revenue estimates to reflect a step-up in marketing efforts, but maintain our view that margin expansion will be limited. After valuing GSX on a premium valuation of 8x P/S factoring the "new normal" market conditions, we raise our target from US\$30 to US\$63 and reiterate our SELL call.

13 July 2020

China Consumer

Reuters GSX.N
Bloomberg GSX US

Priced on 8 July 2020
HS CEI @ 10,748.1

12M hi/lo US\$87.86/9.12

12M price target US\$63.00
±% potential -19%

	1M	3M	12M
Absolute	121.8	164.3	866.2
Relative	109.3	146.0	888.4
Abs (US\$)	121.8	164.3	866.2

20x P/SALES



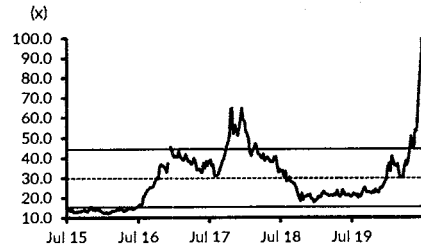


SMIC

HK\$23.20 **SELL**

12M forward PE

W/HOA

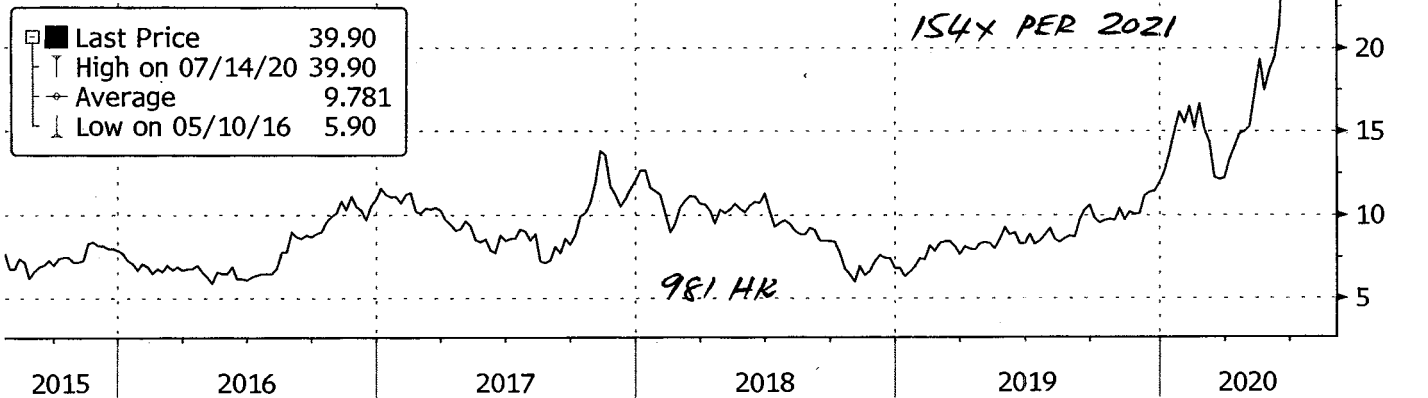


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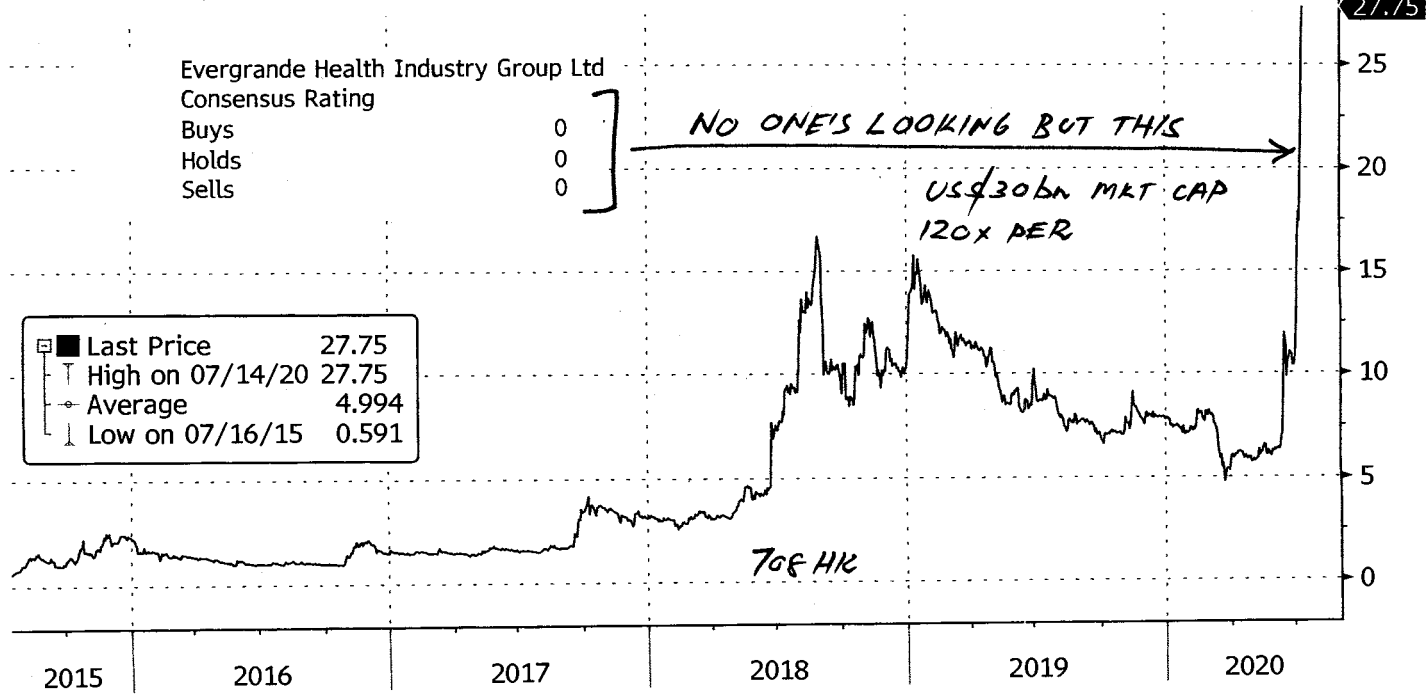
Reiterate Huawei risk and US tightened export control risk

SMIC position is far from TSMC, so we think it is hard to backfill its 25-30% revenue exposure to Hisilicon anytime soon, particularly in the leading nodes. **Revenue loss,** lower utilization, plus curbed N+1/N+2 migration without Huawei shall cause core earnings to decline in the coming year. Another key date is 29 June as US restrictions on China tech turn effective; SMIC should be aware of being a potential target, so it has stockpiled US semi equipment by pulling in Capex and fundraising without adding real capacity. Our target price of HK\$11 is based on 1.1x 21CL PB (weighted average of SMIC's -1SD of 3-year average and STAR/A-share semis' low-end range average).



+228% YTD

Evergrande Health Industry Group Limited is an international enterprise group devoted to providing first-class aesthetic surgery, anti-aging and other health services. The Company provides services domestically as well as globally in accordance with international service standards.



■ Last Price	27.75
↑ High on 07/14/20	27.75
○ Average	4.994
↓ Low on 07/16/15	0.591

From: Nicholas Chung, CLSA <nicholas.chung@clsa.com>
Sent: Wednesday, July 15, 2020 8:43 AM
Subject: BYD rerating thesis

BYD NEEDS
A RE-RATING
+130% YTD

CITIC- BYD RERATING THESIS

The company has had a few fundamental changes which will turn itself from an auto brand into an EV solution provider. Junbin believes the following thesis will trigger a rerating for the stock. Please let me know if you want to speak with Junbin.

1. It has completed the reorganization of its semiconductor business and brought in strategic investors into the business, opening a new chapter on its neutralization strategy. Since its reorganization in mid-April 2020, it has brought in investors like Sequoia, Xiaomi, SMIC, BAIC, etc through two rounds of fund raising. Junbin believes this is a significant step to expand third-party clients, as well as shifting its business structure from vertical integration to strategic openness.
2. Supply of power battery to external customers is accelerating. In late March 2020, it has developed a blockbuster battery technology, 'blade battery', which promises higher energy density and lower cost. It will be installed in its new Han model and other new products. Domestically, BYD is already supplying to Changan and Sokon, and it has been mentioned in BAIC BJEV statement. In the foreign market, it is the designated supplier for Toyota with potential supplier for Ford and Audi.
AND WHERE'S TESLA?
3. Hans, its brand new flagship model, will be launched soon. It is a larger-sized EV luxury car. Orders on hand have surpassed 20,000 unit after only one month of pre-sale. In 2H20, BYD is also launching brand new Song plus model, and retrofit models for Tang, Song, Yuan, e2 and e3, which will lift a new model upcycle.
4. New DM model- The company has launched its DM model in June 2020 with plans to promote 2 platform, ie, DM-p and DM-i. They will feature more power and cost efficiency. By making these two models available, we believe the competitiveness of BYD's EV will increase with its costs declining further.



TARGET EV/SALES 15x
Wow

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Ride the wave

Structural change?

Kingdee's and Yonyou's share prices have surged by 148% & 138% YTD, massively outperform MSCI CN's 17.5%. The trend is consistent with the global large-cap technology names' rallies (such as FAANG, ATM & global SaaS vendors) as market expects Covid-19 may bring global structural change (including China) leading to more technology applications and advancements, particularly on cloud computing due to the higher demand of working anywhere.

BUYers of Kingdee and Yonyou, the top two Chinese ERP SaaS vendors

- Kingdee and Yonyou are well positioned for ERP SaaS migration given their leading positions, competitive products available this year and their ecosystem building initiatives.
- We lift our Kingdee target price from HK\$17.00 to HK\$23.20 and Yonyou from Rmb39.38 to Rmb62.80 based on 15x 21CL EV/sales, largely in-line with global peers.

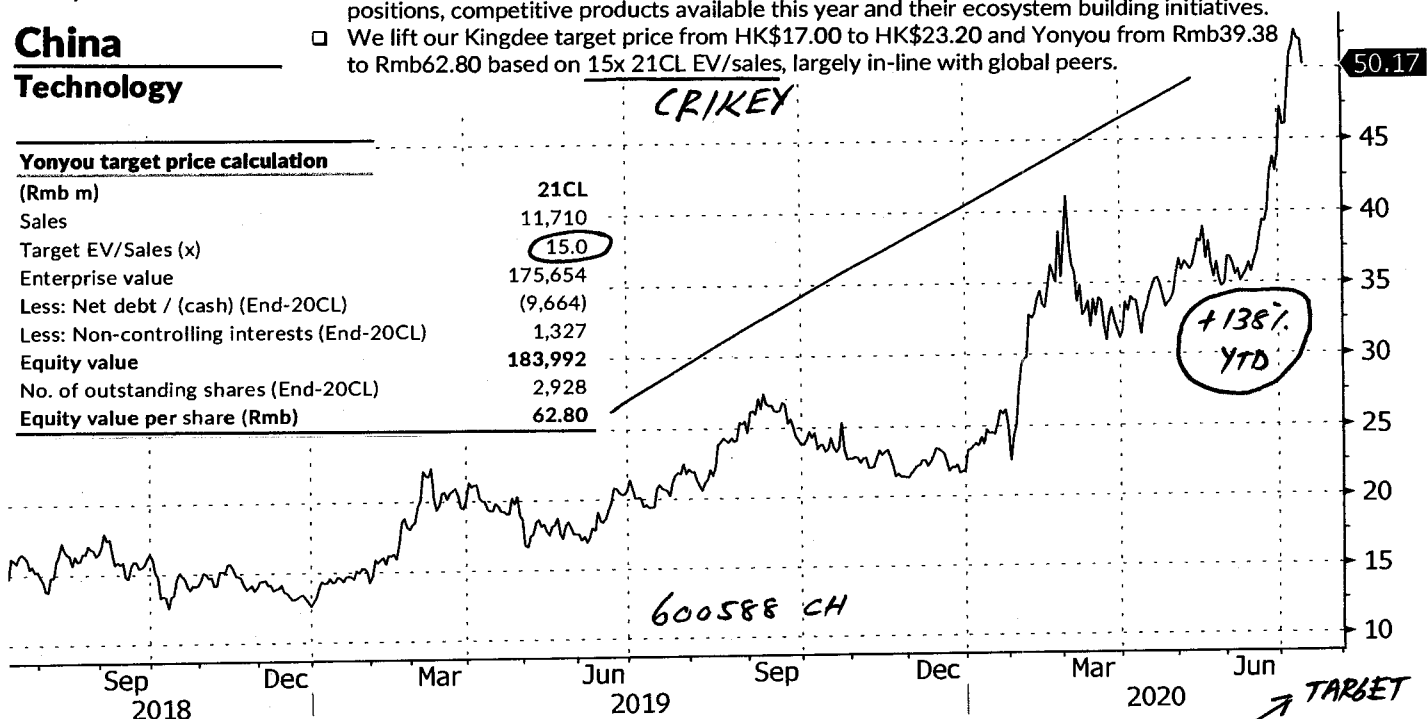
13 July 2020

China

Technology

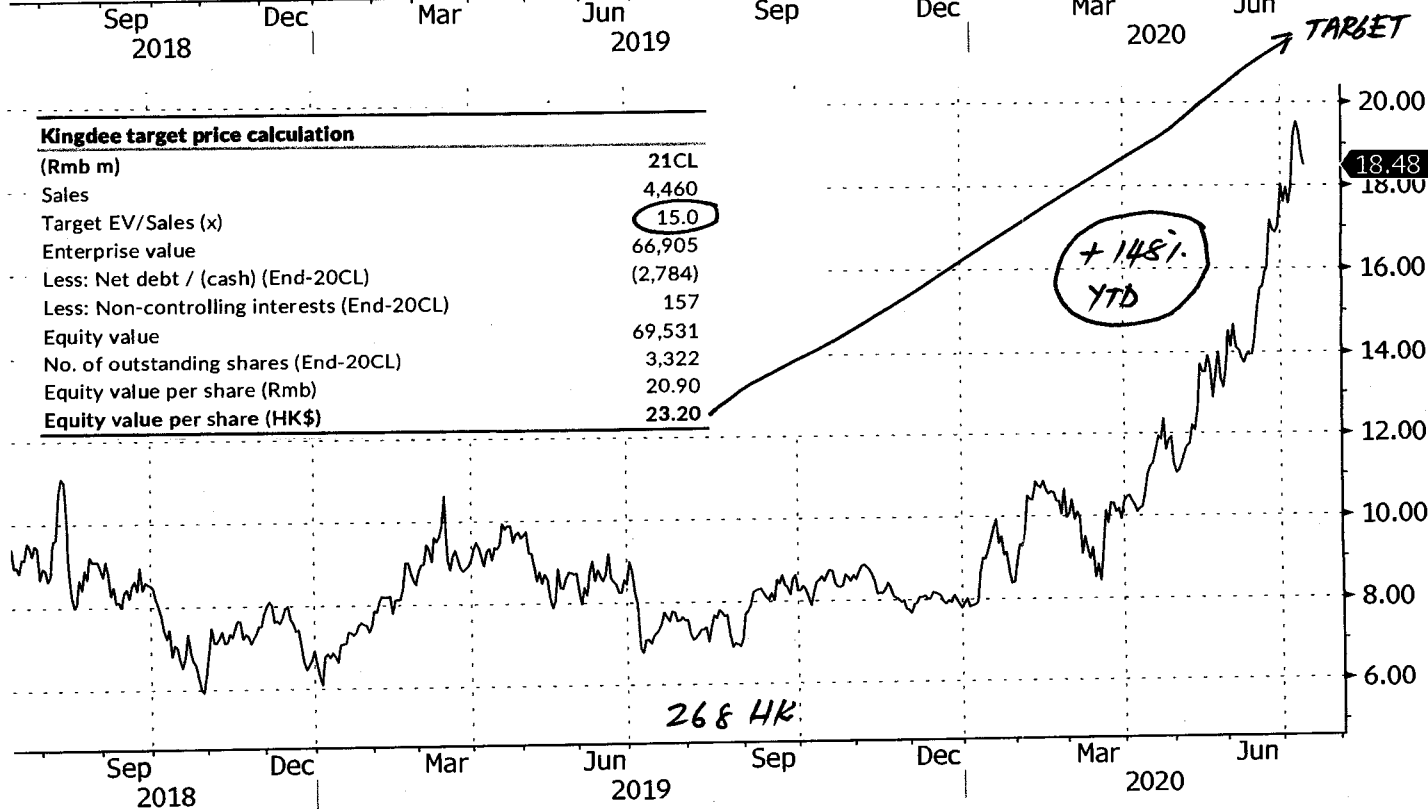
Yonyou target price calculation

(Rmb m)	21CL
Sales	11,710
Target EV/Sales (x)	15.0
Enterprise value	175,654
Less: Net debt / (cash) (End-20CL)	(9,664)
Less: Non-controlling interests (End-20CL)	1,327
Equity value	183,992
No. of outstanding shares (End-20CL)	2,928
Equity value per share (Rmb)	62.80



Kingdee target price calculation

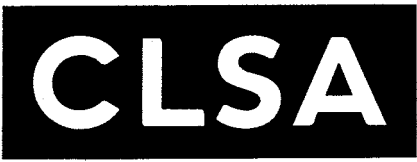
(Rmb m)	21CL
Sales	4,460
Target EV/Sales (x)	15.0
Enterprise value	66,905
Less: Net debt / (cash) (End-20CL)	(2,784)
Less: Non-controlling interests (End-20CL)	157
Equity value	69,531
No. of outstanding shares (End-20CL)	3,322
Equity value per share (Rmb)	20.90
Equity value per share (HK\$)	23.20



NOT JUST CHINA IN ASIA: MORE LA LA LANDS

Asia ex-China Large Caps (mkt cap >US\$20bn) - Best Performer YTD

Ticker	Name	Market Cap	Ind Subgroup	BEst				YTD Tot Ret
				BEst P/E BF12M	PEG Ratio:Y	BEst P/B BF12M	BEst P/S BF12M	
SE US Equity	SEA LTD-ADR	57,230,118,912	Entertainment Software				11.22	200.85
035720 KS Equity	KAKAO CORP	25,989,988,352	Internet Content-Entmnt	73.68	0.99	5.15	7.40	129.32
068270 KS Equity	CELLTRION INC	36,441,575,424	Medical-Generic Drugs	77.02	7.97	12.26	23.69	81.77
3659 JP Equity	NEXON CO LTD	21,441,921,024	Entertainment Software	19.61		2.90	7.55	80.66
051910 KS Equity	LG CHEM LTD	31,078,279,168	Petrochemicals	35.17	0.61	2.24	1.08	72.28
207940 KS Equity	SAMSUNG BIOLOGICS CO LTD	40,252,182,528	Medical-Biomedical/Gene					68.59
006400 KS Equity	SAMSUNG SDI CO LTD	22,376,128,512	Wireless Equipment	34.72	1.57	2.05	2.12	66.95
4519 JP Equity	CHUGAI PHARMACEUTICAL CO LTD	84,777,410,560	Medical-Drugs	34.55	2.86	6.65	11.48	61.40
035420 KS Equity	NAVER CORP	40,874,803,200	Web Portals/ISP	49.27	2.49	6.20	6.15	59.25
FMG AU Equity	FORTESCUE METALS GROUP LTD	31,905,249,280	Metal-Iron	9.86	-0.32	2.41	2.98	55.59
2413 JP Equity	M3 INC	31,074,435,072	Internet Content-Info/News	116.27	7.14	17.90	21.53	51.25



Kakao

₩343,000 - UNDERPERFORM

+129%
YTD

A little too sweet

Scintillating valuation clouds flourishing ecosystem; downgrade to U-PF

Kakao's orchestra of business instruments are finally playing a harmonious tune, which has been applauded with a historical share price run during Covid-19. We look into its ecommerce and KakaoPay opportunities in detail and find both could generate close to ₩1.6tn revenue and ₩275bn OP by 2023. We raise our SOTP-based price target from ₩250,000 to ₩350,000, cross checking this with past price-to-sales multiples. While we still believe the stock has entered a structural margin expansion cycle, we believe its valuation largely captures the digital transformation angle for now. Hence we downgrade our recommendation from BUY to Underperform.

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15 July 2020

Korea Internet

Reuters 035720.KS
Bloomberg 035720 KS

Priced on 14 July 2020
Korea Kospi @ 2,183.6

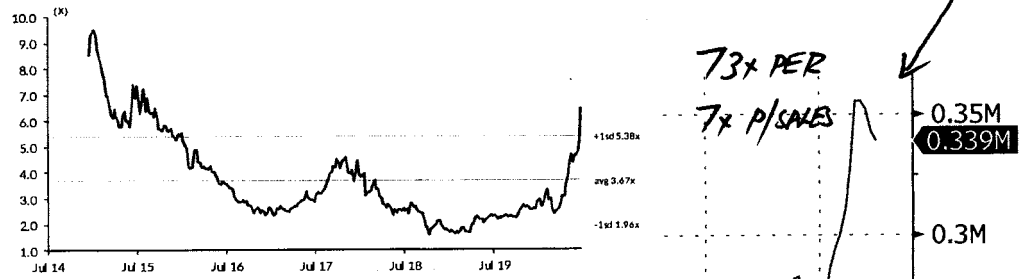
12M hi/lo ₩355,500/122,000

12M price target ₩350,000
±% potential +2%

Shares in issue 79.2m
Free float (est.) 63.9%

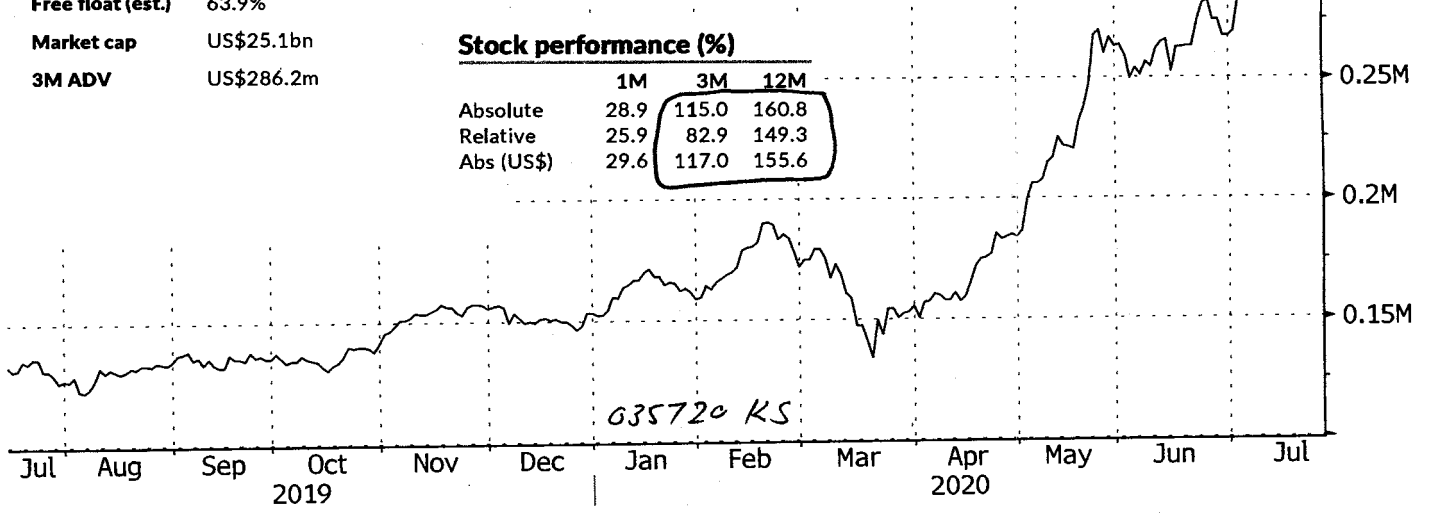
Market cap US\$25.1bn
3M ADV US\$286.2m

Kakao 12 months forward price to sales since 2014



Stock performance (%)

	1M	3M	12M
Absolute	28.9	115.0	160.8
Relative	25.9	82.9	149.3
Abs (US\$)	29.6	117.0	155.6



The Afterpay Bubble (livewiremarkets.com) MARCUS PADLEY



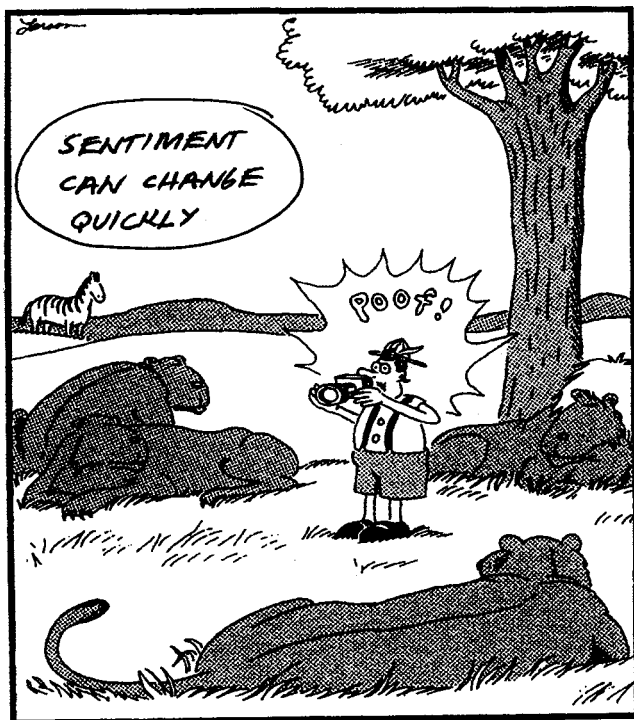
Are you a sensible investor? Then you are almost certainly having a few thoughts about technology stocks, including regret, regret at not holding technology stocks, and regret at not holding **Afterpay** which is up 856% from the low in March and up 38% in 9 trading days.

You are probably beginning to question whether you are sensible, or stupid. It is hard to know. Is it sensible or stupid to buy or hold **Afterpay** on a PE of minus 454x this year, and 237x on 2022 forecasts.

And there are other stocks making you look stupid. Like **XRO** on a PE of 370x and 98x on 2022 forecasts, **REA** on 52x and 35x 2022 earnings in the middle of a housing slump, **WTC** on 93x and 50x on 2022 earnings forecasts, **NXT** on minus 305x and 231x 2022 forecasts, **ALU** on 70x and 42x 2022 forecasts and **APX** on 56x and 32x 2022 forecasts.

But this is not about price, PE, future earnings or intrinsic value, it is about not missing out on easy gains, it is about exploiting extraordinary volatility, and the momentum behind that opportunity is overwhelming the rest of the market, it is overwhelming the virus concerns, and it has taken the US stock market to all-time highs when logic suggests the equity market should be cowed by a global economic disaster.

CURRENTLY IT'S MKT CAP IS LARGER THAN: BRAMBLES, TSINGTAO, ONGC + NOT FAR OFF WOODSIDE AND ASTRA



While vacationing in Africa, Pinocchio has his longtime wish to be a real boy suddenly and unexpectedly granted.

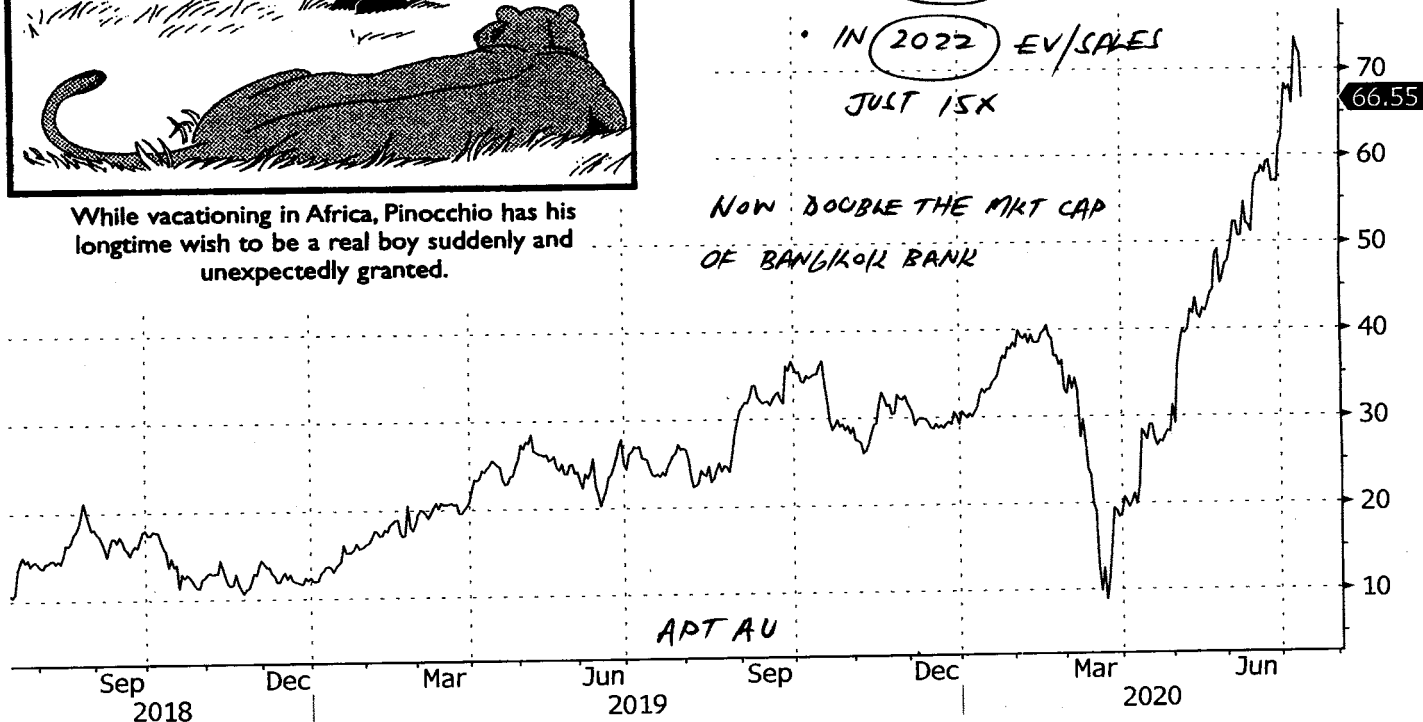
Afterpay Ltd		
Consensus Rating		3.38
Buys	38.5%	5
Holds	46.2%	6
Sells	15.4%	2
12M Tgt Px	13/15	65.20
Last Price		68.87
Pricing Currency		AUD
Return Potential		-5.3%

AUD 18 bn MKT CAP NOW

• FORECAST TO MAKE \$45m IN 2022

• IN 2022 EV/SALES JUST 15X

NOW DOUBLE THE MKT CAP OF BANGKOK BANK



ASIAN TECH/INTERNET

Best performing Tech/Internet stocks YTD

Bberg ticker	Company	Country	CLSA Rec	Upside/ (Downside) to target	Mkt Cap (USDm)	US\$ perf YTD	Core EPS growth 2020 2021	P/E (Core) 2020	PEG Ratio	EV/Sales 2020
981 HK	SMIC	China	SELL	(73.3)	30,414	247.1	28.9 (40.5)	91.9	(15.86)	9.7
SE US	Sea Limited	Singapore	OPF	5.8	57,230	200.8	nm nm	(63.4)	#VALUE!	15.6
5269 TT	ASMedia	Taiwan	OPF	(13.5)	4,076	168.1	127.4 33.3	47.5	0.59	20.3
268 HK	Kingdee Software	China	BUY	20.2	4,366	148.9	(69.9) 36.8	584.4	(35.30)	15.3
600588 CH	Yonyou	China A	BUY	20.6	24,174	137.0	(48.7) 91.4	369.3	17.30	17.6
PDD US	Pinduoduo	China	BUY	(17.5)	104,553	130.8	nm nm	(85.7)	#VALUE!	13.4
035720 KS	Kakao	Korea	BUY	(29.7)	26,015	122.6	nm 23.0	96.6	#VALUE!	7.0
2400 HK	XD	China	UPF	(30.9)	2,202	122.2	47.4 10.8	23.6	0.81	3.9
002410 CH	Glodon	China A	SELL	(36.3)	12,698	119.6	37.1 41.0	262.8	6.73	23.5
600584 CH	JCET	China A	SELL	(85.0)	10,915	115.6	72.9	105.0	2.88	2.8
6920 JP	Lasertec	Japan	OPF	(10.5)	10,153	110.5	80.3 61.7	97.0	1.37	24.3
3690 HK	Meituan	China	BUY	(27.5)	157,207	105.3	(82.7) ####	2,874.5	2.24	9.4
6415 TT	Silergy	Taiwan	SELL	(51.9)	5,806	99.8	41.8 13.1	51.9	1.89	11.8
002475 CH	Luxshare	China A	OPF	(16.5)	56,049	98.9	40.3 40.1	45.4	1.13	3.4
1347 HK	Hua Hong Semi	China	UPF	(50.3)	5,739	95.1	11.9 23.8	31.6	1.77	6.4
300750 CH	CATL	China A	SELL	(36.2)	64,299	90.5	(12.4) 49.4	111.2	6.02	10.2
772 HK	China Literature	China	BUY	(42.7)	7,999	88.7	34.7 15.1	37.6	1.51	4.7
JD US	JD.com	China	BUY	14.3	101,380	86.2	(23.4) 99.4	80.3	2.11	0.8
8046 TT	Nan Ya PCB	Taiwan	OPF	8.8	1,814	82.7	532.8 7.6	27.4	0.10	1.2
3659 JP	Nexon	Japan	BUY	11.8	21,446	81.9	9.8 2.0	18.4	3.11	6.7
4966 TT	Parade	Taiwan	BUY	5.2	2,879	75.0	13.5 29.3	30.7	1.44	5.6
036570 KS	NCsoft	Korea	UPF	(23.7)	17,264	67.7	111.1 21.6	27.3	0.41	7.2
4751 JP	CyberAgent	Japan	BUY	(16.4)	7,073	59.4	269.4 129.4	120.4	0.60	1.5
006400 KS	Samsung SDI	Korea	OPF	(0.3)	22,398	59.3	(17.7) 63.3	52.7	2.31	2.8
YY US	JOYY Inc	China	BUY	(9.2)	6,589	58.6	(76.3) 144.9	85.9	2.50	2.0
NTES US	NetEase	China	BUY	(2.8)	66,955	58.0	(0.3) 22.3	33.3	3.02	6.5
1810 HK	Xiaomi	China	OPF	(15.9)	52,445	57.3	5.4 23.4	35.3	2.45	1.3
2379 TT	Realtek	Taiwan	BUY	(15.2)	6,231	55.3	1.6 24.7	26.5	2.02	2.3
VIPS US	Vipshop	China	OPF	(15.3)	14,692	54.2	31.2 21.0	19.8	0.76	0.9
6683 TT	Keystone	Taiwan	BUY	(19.7)	315	54.2	41.8 20.4	31.6	1.02	8.0
035420 KS	Naver	Korea	BUY	(1.3)	40,915	54.1	22.0 108.8	61.4	0.94	6.6
6383 JP	Daifuku	Japan	OPF	(14.9)	11,880	53.2	(29.1) 13.1	45.0	(5.62)	2.7
2413 JP	M3	Japan	OPF	(14.2)	31,080	50.6	10.2 31.0	153.3	7.45	25.2
9449 JP	GMO Internet	Japan	UPF	(6.4)	3,170	46.6	39.1 (1.9)	29.4	1.59	1.6
700 HK	Tencent	China	BUY	9.4	673,585	46.2	23.7 21.3	41.1	1.83	8.7
2454 TT	MediaTek	Taiwan	BUY	28.6	33,219	41.0	72.2 44.1	24.7	0.42	2.5

MediaTek

More than just volume upside

Upside intact regardless of Qualcomm competition or US restrictions

MediaTek's share gain at Huawei is widely known, but we believe the market is focusing on the quantity upside while overlooking the quality upgrade as a result of this closer collaboration. We anticipate earlier-than-expected earnings upside risk, which should drive a continuous beat-and-raise cycle. In the interim, Qualcomm may get a licence from the US to sell technology to Huawei, which may reset market expectations of MediaTek's share gain at the Chinese tech giant, but our analysis suggests MediaTek will see similar growth due to increased orders from other OEMs. We raise 20/21/22CT EPS by 35%/40%/40% and our TP from NT\$530 to NT\$792, based on 22x 21CT PE. Reiterate High-Conviction BUY.

Change in target price

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9 July 2020

Taiwan Technology

Reuters 2454.TW
Bloomberg 2454 TT

Priced on 9 July 2020

Taiwan Wtd @ 12,192.7

12M hi/lo NT\$663.00/274.00

12M price target NT\$792.00
±% potential +22%

Shares in issue 1,590.0m
Free float (est.) 85.7%

Market cap US\$35.7bn

Financials

Year to 31 December	18A	19A	20CT	21CT	22CT
Revenue (NT\$m)	238,057	246,222	306,571	380,733	418,231
Rev forecast change (%)	-	-	14.2	15.5	14.7
Net profit (NT\$m)	20,760	23,033	39,656	57,153	65,792
NP forecast change (%)	-	-	34.6	39.8	39.5
EPS (NT\$)	13.04	14.51	24.98	36.00	41.44
CL/consensus (27) (EPS%)	-	-	127	133	134
EPS growth (% YoY)	(15.2)	11.2	72.2	44.1	15.1
PE (x)	49.9	44.9	26.1	18.1	15.7
Dividend yield (%)	1.4	1.6	2.0	2.6	3.1
ROE (%)	8.5	9.0	14.4	18.8	19.2
Net debt/equity (%)	(32.7)	(37.4)	(40.2)	(47.5)	(53.9)

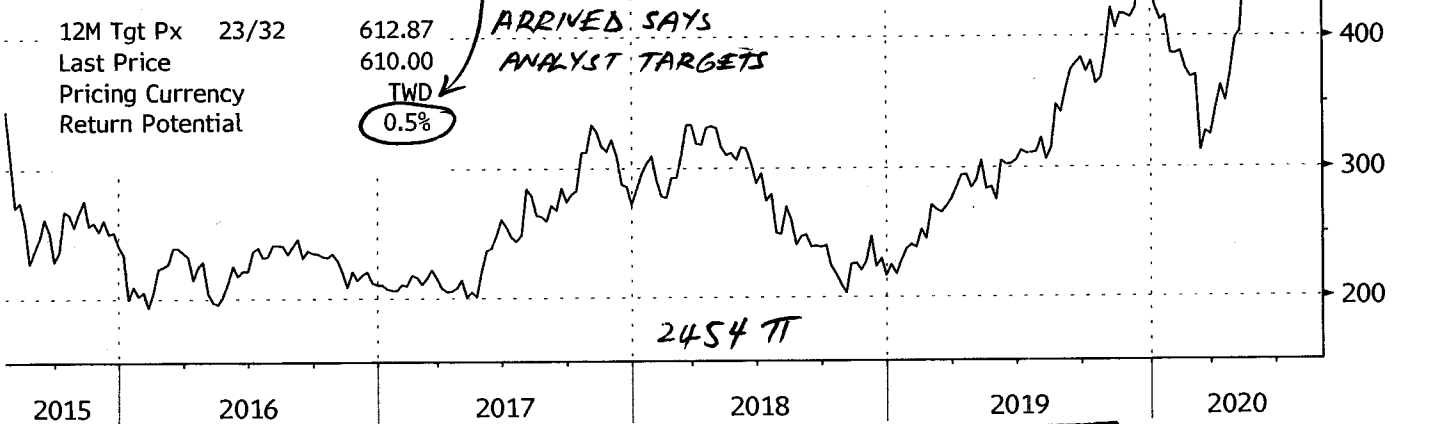
MEDIATEL (CONT'D)

MediaTek Inc
 Consensus Rating 4.61
 Buys 80.6% 25
 Holds 19.4% 6
 Sells 0.0% 0

12M Tgt Px 23/32
 Last Price 612.87
 Pricing Currency TWD
 Return Potential 0.5%

Stock performance (%)

	1M	3M	12M
Absolute	30.9	85.2	107.7
Relative	24.9	53.7	82.3
Abs (US\$)	31.9	89.5	119.9



TSMC
 NT\$354.50 - BUY

Far more than trumping cyclicality

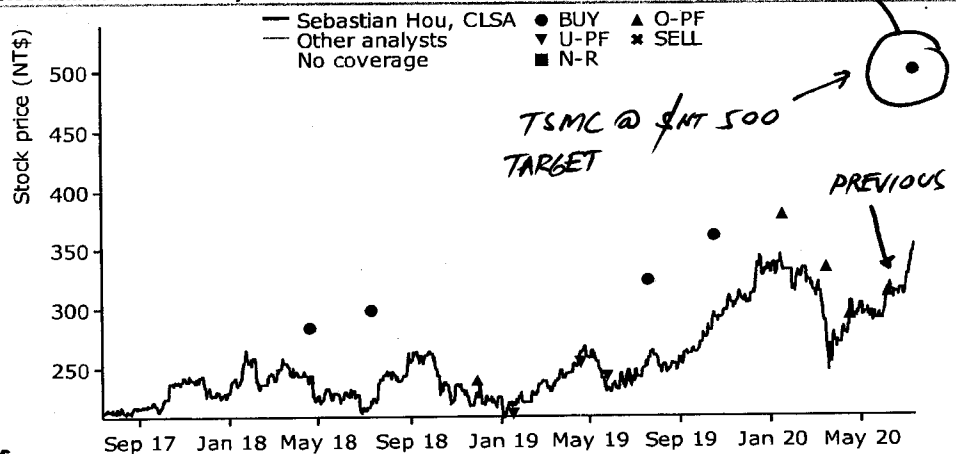
Likely to grow even stronger than if no Covid-19 and no Huawei ban
 We believe TSMC will quickly backfill its Huawei loss from other clients, where we estimate upside risk to its FY20 US dollar sales growth of 30%+ YoY. Extra upside stems from a potential license for some US chips to Huawei. While we still worry about chip inventory, the correction may be pushed-out to 1H21, and TSMC's leading technology more than trumps cyclicality, similar to the internet giants, which deserves a re-rating in our view. We lift our target price from NT\$315 to NT\$500 and upgrade our rating from Outperform to a High-conviction BUY.

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Recommendation history of Taiwan Semiconductor Manufacturing Co Ltd 2330 TT



14 July 2020

Taiwan Technology

Reuters 2330.TW
 Bloomberg 2330 TT
 ADR TSM.N

Priced on 13 July 2020
 Taiwan Wtd @ 12,211.6

12M hi/lo NT\$354.50/246.50

12M price target NT\$500.00
 ±% potential +41%

Shares in Issue 25,930.4m
 Free float (est.) 69.1%

Market cap US\$312bn

Financials

Year to 31 December	18A	19A	20CT	21CT	22CT
Revenue (NT\$m)	1,031,474	1,069,985	1,315,676	1,436,511	1,639,153
Rev forecast change (%)	-	-	8.3	12.8	10.9
Net profit (NT\$m)	351,131	345,264	466,646	520,256	610,315
NP forecast change (%)	-	-	15.5	21.7	15.2
EPS (NT\$)	13.54	13.32	18.00	20.06	23.54
CL/consensus (30) (EPS%)	-	-	108	111	113
EPS growth (% YoY)	2.3	(1.7)	35.2	11.5	17.3
PE (x)	26.2	26.6	19.7	17.7	15.1
Dividend yield (%)	2.8	2.8	3.4	3.7	4.2
ROE (%)	22.0	20.9	27.1	26.9	28.1
Net debt/equity (%)	(30.7)	(25.2)	(21.9)	(23.9)	(28.3)

VALUATIONS
 NOT OVER THE
 TOP AT ALL

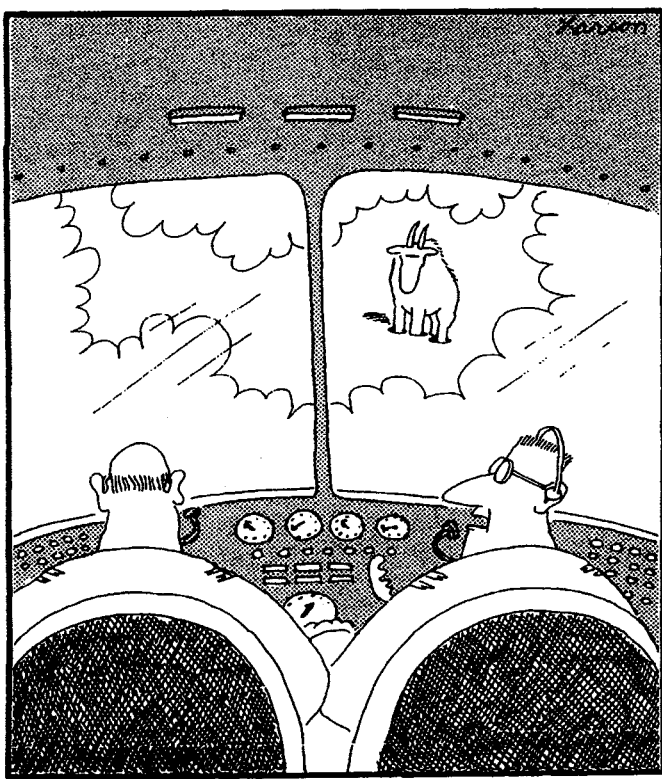
GROWTH > VALUE

IF LA LA LAND STOCKS TAKE A BREATH

When a stock is priced for perfection (or close to it) following strong positive performance that results in valuations sitting at historical highs it doesn't take much to disrupt the flight path (eg a growth hiccup, a market downturn where they become an attractive source of profit taking, etc)

INCLUDING A ROTATION
OUT OF THE TYPE
OF STOCK

FROM A TECHNICAL ANGLE
LB THINKS IT'S HERE



"Say... What's a mountain goat doing way up here in a cloud bank?"

Laurence Balanco, CMT

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Price Action

Global



CLSA

When prices get stretched too far one way, they tend to snap back

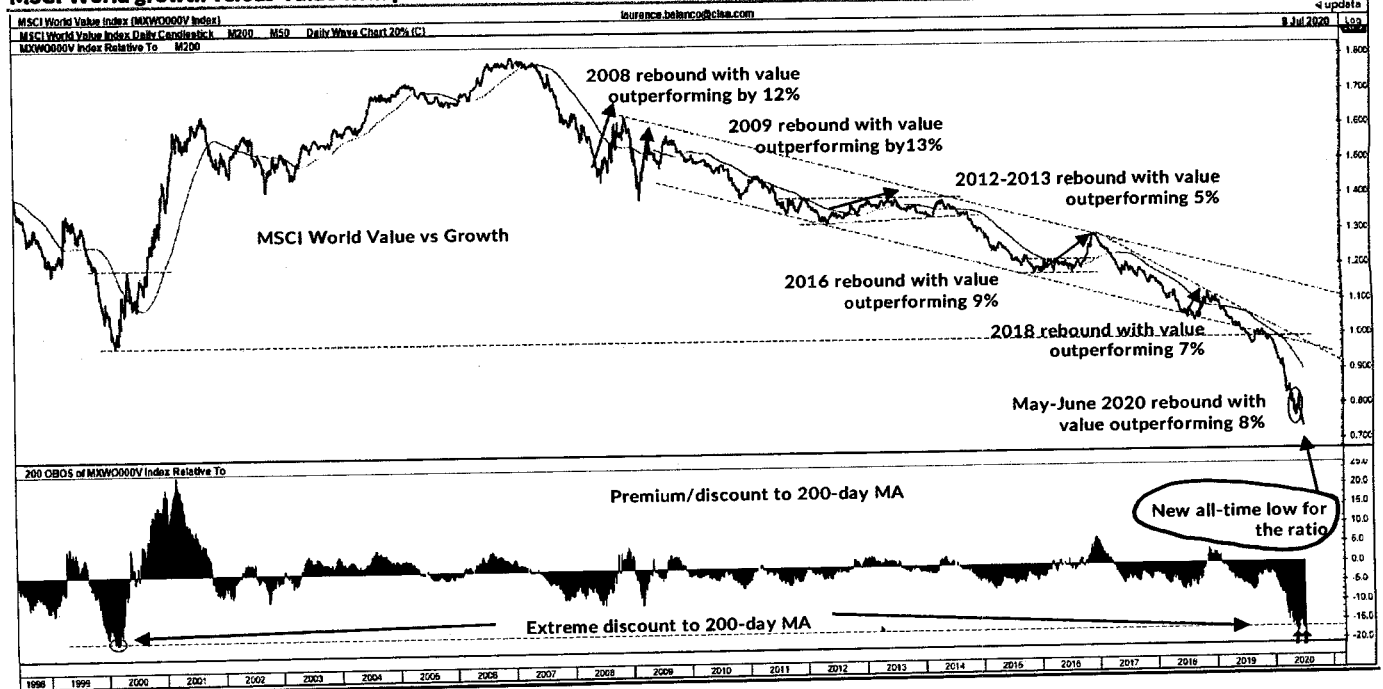
Rubber band effect

The rubber band effect has often been used to describe moves in equity markets where prices get stretched too far one way or the other and eventually they snap back, just like when you let go of a stretched out rubber band.

The MSCI World Value/Growth ratio is now at an 18.6% discount to its 200-day MA

→ There are two markets that look set-up for a rubber band snapback. The first is the relative chart of the MSCI World Value versus Growth (V/G). We have featured this ratio before and revisit it, as it is once again trading at a more than 18.6% discount to its 200-day MA. This discount is larger than that seen at the peak of the tech bubble, where the V/G ratio traded at a 17.1% discount as well as the mid-May extreme of 17.7%.

MSCI World growth versus Value with premium/discount to the 200-day MA



"VALUES" TURN TO OUTPERFORM

Investors should be prepared for another snapback rebound in the V/G ratio in the coming sessions

The 2007-to-present Growth cycle displayed by the falling V/G ratio indicates value underperforming growth. So far this trend has seen six rebound rallies where value outperforms for a period before forming a lower high and a continuation of the downtrend of value underperforming growth. Note five of the six rebounds saw the ratio recapture its 200-day MA before forming a lower high within the broader downtrend off the 2007 highs. The most recent rebound in late May/early June saw value outperform by ~8% which only partly narrowed the gap with the falling 200-day MA before rolling over to trade to new all-time lows for the ratio. As discussed earlier, this decline to new lows has taken the ratio back to an 18.6% discount to its 200-day MA, below the extreme seen in mid-May which led to the last snapback in the V/G ratio as well as the 2000 extreme. As such, investors should be prepared for another snapback rebound in the V/G ratio in the coming sessions.

ALL OVER THE SHOP →

□ Across the global. Similar extreme discounts to their respective 200-day MAs can be seen on the Russel 1000 Growth v Value, the MSCI Japan Value v Growth and the MSCI EM Growth v Value daily charts. The MSCI Europe Value v Growth, on the other hand is narrowing its discount to its 200-day MA and is showing signs of forming a tactical base.

9 July 2020

Global Technical analysis

THINK NON-US
VALUE
LIKE THESE →

□ Rest of the world outperformance. As a reminder from our previous work it's worth bearing in mind the relationship between the MSCI World Value/Growth ration and that of the MSCI World ex US versus MSCI US ratio since the late 90s. Basically periods of value outperforming growth have been oscillated with the World ex US outperforming the World. As such, from a stock perspective playing for another relief rally in the Value/Growth ratio, one should focus on value stocks outside of the US. European and Asian banking stocks show distinct chart basing patterns. We present the following buy candidates:

□ Basing buy candidates. China Merchants Bank (3968 HK), Hang Seng Bank (11 HK), Bank Mandiri (BMRI IJ), State Bank of India (SBIN IB), Mahindra & Mahindra Financial Services (MMFS IB), IndusInd Bank (IIB IS), ICICI (ICICIB IB), Banco Santander (SAN SM), BNP Paribas (BNP FP), Lloyds (LLOY LN) and Societe Generale (GLE FP).

□ Take profit candidates. JD.com (JD US) and Pinduoduo (PDD US).

Pinduoduo Inc-Adr (PDD US)

Price performance (%)				
	1M	3M	6M	1Y
Local	20.7	113.1	124.3	361.2
US\$	20.7	113.1	124.3	361.2

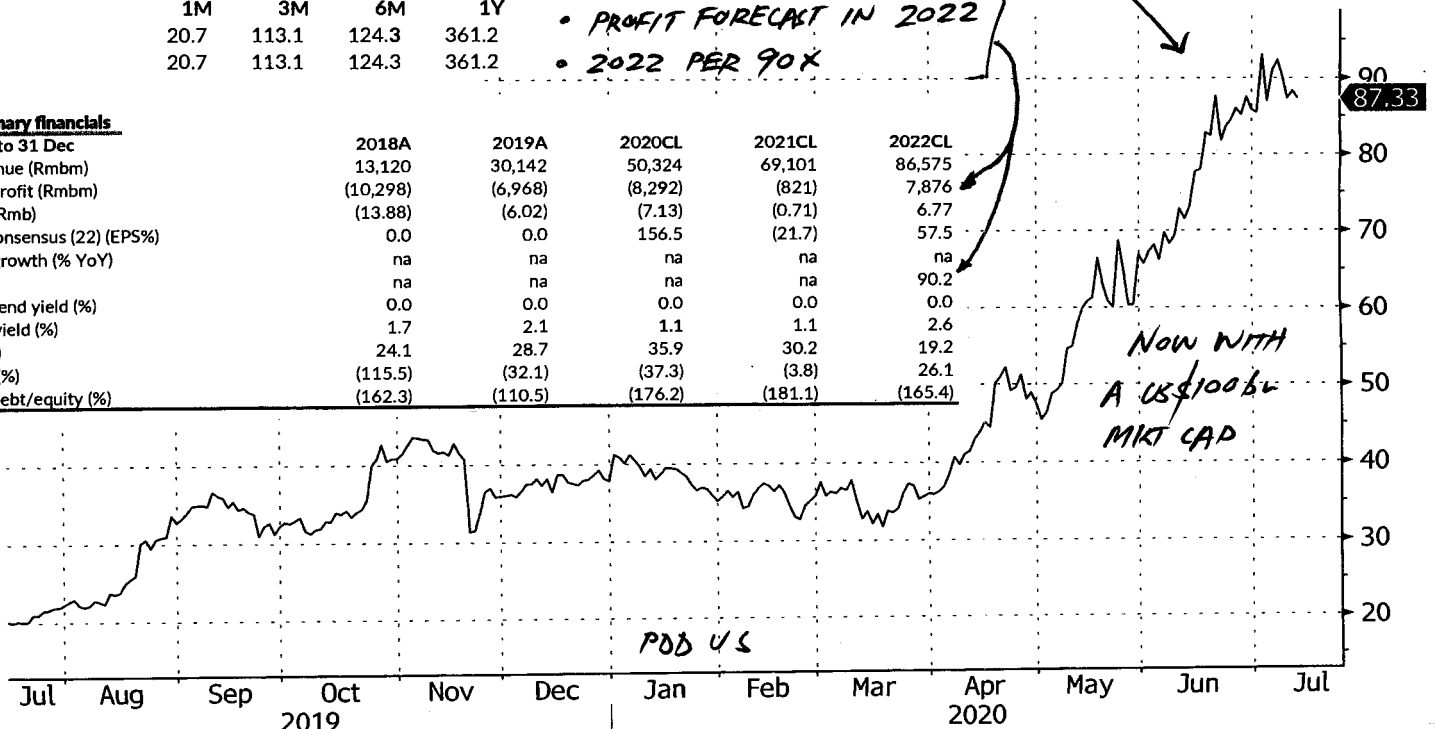
Summary financials

Year to 31 Dec	2018A	2019A	2020CL	2021CL	2022CL
Revenue (Rmbm)	13,120	30,142	50,324	69,101	86,575
Net profit (Rmbm)	(10,298)	(6,968)	(8,292)	(821)	7,876
EPS (Rmb)	(13.88)	(6.02)	(7.13)	(0.71)	6.77
CL/consensus (22) (EPS%)	0.0	0.0	156.5	(21.7)	57.5
EPS growth (% YoY)	na	na	na	na	na
PE (x)	na	na	na	na	90.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	1.7	2.1	1.1	1.1	2.6
PB (x)	24.1	28.7	35.9	30.2	19.2
ROE (%)	(115.5)	(32.1)	(37.3)	(3.8)	26.1
Net debt/equity (%)	(162.3)	(110.5)	(176.2)	(181.1)	(165.4)

• UP 360% IN 1 YEAR

• PROFIT FORECAST IN 2022

• 2022 PER 90X





It ain't easy
being a
value
investor at
the moment

9 Things Value Investors Do All The Time By [Eloise Williams](#)

One – Lose Money: Value Investors lose money. These guys think they are buying at the bottom. But when you are buying a melting ice cube the terminal value is almost always negative.

Two – Complain: Value investors complain about everything. They are like a teenager who just got broken up with. But I guess when your returns are horrible and you get redemptions daily, it's hard not to complain.

Three – Smell Like Trash: If you want to smell something utterly disgusting just sniff a value investor. These guy are the cheapest stink-bags around. In 1967 there was a study that was conducted on how many times value investors bathe. On average, value investors bathe once per week.

Four – Writing Horrible Letters: If there is one thing a value investor is good at it's writing horrible investment letters. These idiots will spend half of the quarter writing to their investors why their returns suck.

Five – Justify Investing in a Company Ran by a 90 year-old: If I had a dollar for every time a value investor went all in on a company trading at 0.10x book value ran by a 90 year-old man who is about to die I could buy a private island. For some reason value investors love capital intensive companies that have 16 classes of stock.

Six – Yelling at 'growth' investors for buying good companies: Value investors hate good companies. And they hate technology even more. If you tell a value investor you are invested in a company growing 25% per year they will scream incomprehensible words at you and call you stupid. These are the same guys who will go all in on a newspaper business and say 'mean reversion' 756 times to justify their investment.

Seven – Complain about the Federal Reserve: A true value investor will complain about the Federal Reserve at least 64 times in their quarterly letters to investors.

Eight – Wear Outdated Clothes: Value investors are known to wear suits that come from Salvation Army and smell like mothballs. Also, the shoulders of their suit jacket is almost always peppered with dandruff.

Nine – Tell everyone they are long-term investors but spend 99% of their time trying to forecast next quarters revenue numbers: Value investors will tell everyone how they are a long-term investor who will hold a stock indefinitely. But in reality these guys will spend 99% of their time trying to forecast next quarters revenue numbers.

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10 July 2020

AxJ earnings revisions bottomed

Regional quant strategy monthly wrap

In May, we suggested that consensus EPS downgrades were overly aggressive in much of the region. The rate of MSCI AxJ earnings downgrades found its bottom in May, following the April bottom of the Macro Cycle Composite Index (MCCI). Risk, GARP, value and reversions outperformed, while quality and momentum underperformed. Furthermore, the combination of PE expansion and earnings downgrade YTD is typical when equity exits the downturn ahead of consensus earnings revisions. The case for AxJ deflation trade has become even stronger, in our view. Based on this, we expect value and GARP strategies to outperform through the end of the year.

Following on our report / call from this morning, here are the best / worst value and GARP stocks. "Best / worst value" is based on our Integrated Value models. These are stocks with market caps >5B that are ranked in the top decile on both our PE and PB models. These models adjust standard PE and PB ratios for growth, profitability, liquidity and structural country biases. Ranks are quoted in percentiles (0 to 1, 1 being best value).

GARP contains two factors defined as follows:

THE CALL $\left\{ \begin{array}{l} \text{GARP (GROWTH AT A REASONABLE PRICE)} \\ \text{to outperform} \\ \text{GAAP (GROWTH AT ANY PRICE) AKA: LA LA LAND STOCKS} \end{array} \right.$

PEG 12-month forward PE / Next 2-year avg EPSg (PEG yield is used)

PSG 12 month forward PE / sustainable growth (PSG yield is used)

Each ratio is converted to a z-score (standard deviations above / below the mean). The GARP score is z-score averaged between the two factors.

Best GARP

CHINA REAL ESTATE & FINANCIALS ARE BULK. SAMSUNG ELEC THE STANDOUT

BBG	Company	Country	Sector	Mkt cap (US\$m)	3M ADTO (US\$m)	GARP Score
2007 HK	Country Garden Holdings Co. Ltd.	China	Real Estate	28186	27.2	2.8
1918 HK	Sunac China Holdings Ltd.	China	Real Estate	21340	90.6	2.8
000660 KS	SK hynix Inc	Korea	Information Technology	48110	274.3	2.4
2202 HK	China Vanke Co., Ltd Class H	China	Real Estate	38426	31.8	2.4
NST AU	Northern Star Resources Ltd	Australia	Materials	7212	54.1	2.2
688 HK	China Overseas Land & Investment Limited	China	Real Estate	35412	52.2	1.9
586 HK	China Conch Venture Holdings Ltd.	China	Industrials	7917	17.0	1.9
813 HK	Shimao Property Holdings Limited	China	Real Estate	14719	33.6	1.9
1109 HK	China Resources Land Limited	China	Real Estate	29121	46.9	1.6
005935 KS	Samsung Electronics Co Ltd Pfd Non-Voting	Korea	Information Technology	264076	75.1	1.6
036570 KS	NCsoft Corporation	Korea	Communication Services	16555	70.3	1.6
2474 TT	Catcher Technology Co., Ltd.	Taiwan	Information Technology	6027	38.0	1.5
TOPG MK	Top Glove Corporation Bhd.	Malaysia	Health Care	10712	54.3	1.5
AXSB IN	Axis Bank Limited	India	Financials	15921	244.0	1.5
066570 KS	LG Electronics Inc.	Korea	Consumer Discretionary	9694	43.7	1.5
VIPS US	Vipshop Holdings Ltd Sponsored ADR	China	Consumer Discretionary	12081	117.1	1.5
960 HK	Longfor Group Holdings Ltd.	China	Real Estate	28858	31.7	1.4
1658 HK	Postal Savings Bank of China Co., Ltd. Class H	China	Financials	50166	21.4	1.4
1288 HK	Agricultural Bank of China Limited Class H	China	Financials	131861	38.6	1.4
1398 HK	Industrial and Commercial Bank of China Limited Clas	China	Financials	223496	131.4	1.4

ONE OF THE "BEST GARP" PICKS

CLSA

Samsung Electronics

₩55,000 - BUY



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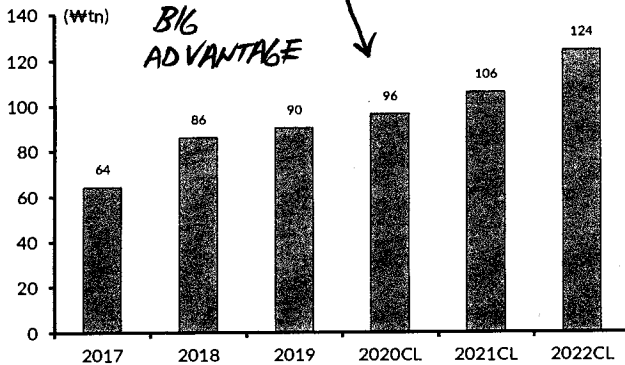
Strong near-term profit outlook

Solid 2Q beat even excluding one-off, target raised to ₩70,000

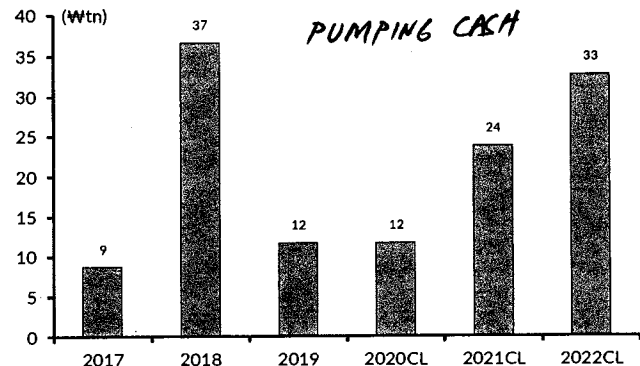
Well positioned to benefit from structural trends, to add new growth engines

We see SEC as a big beneficiary of structural demand growth for memory from data centres led by 5G, AI and an "untact" economy. SEC is also looking to be a leader in non-memory by 2030, which could be a huge growth opportunity. Its net cash position of ₩98tn (1Q20) puts it in an enviable position to pursue M&As. Although smartphone is ex-growth we see SEC maintaining high margins on the back of an increase in penetration of foldable phones (35m by 2023 vs 3m in 2020).

SEC net cash



SEC FCF

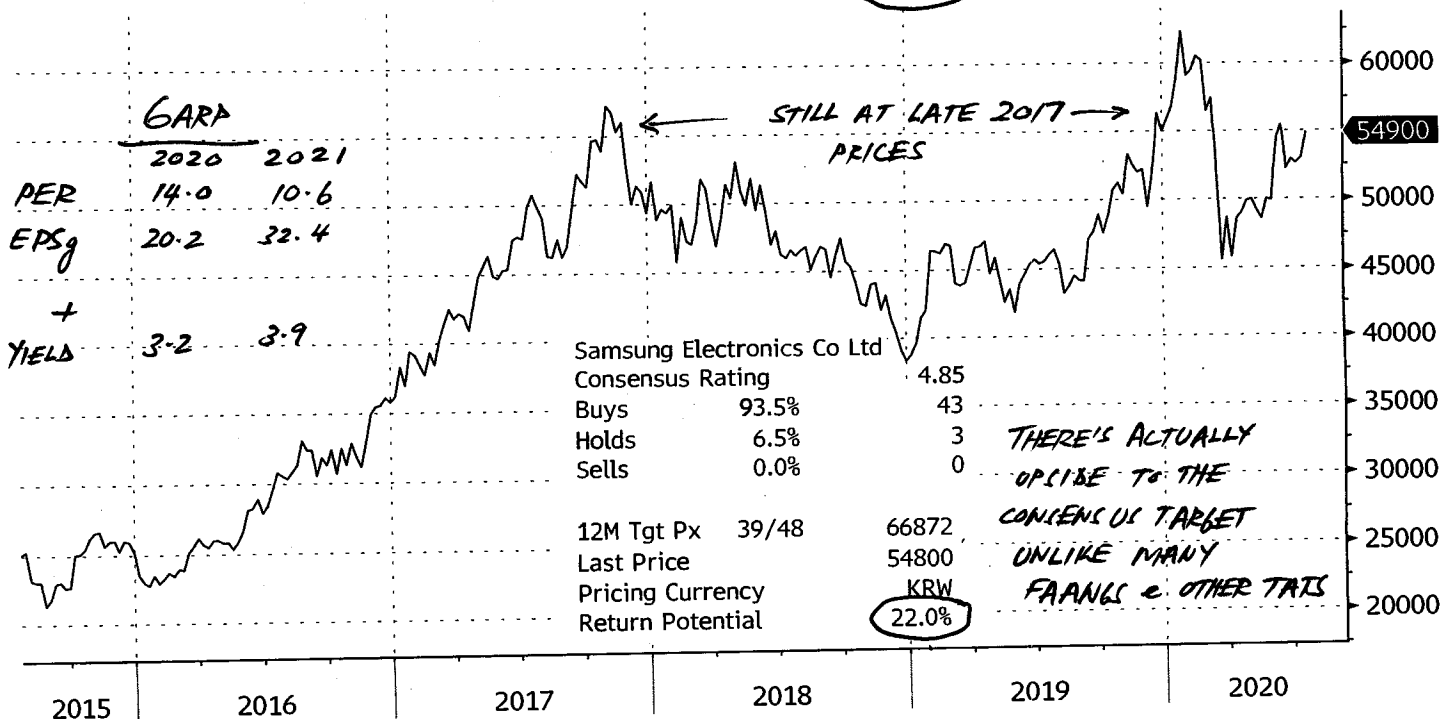


AMONGST THE TATS (TENCENT, ALIBABA, TSMC, SAMSUNG)

IT IS SAMSUNG THAT'S BEEN A BIG UNDERPERFORMER YTD

Range 12/30/2019 - 07/14/2020

Security	Currency	Price Change	Total Return	Difference	Annual Eq
1) 005930 KS Equity	USD	-7.46%	-6.77%	-19.45%	-12.19%
2) 2330 TT Equity	USD	10.67%	12.67%	--	24.74%
3) 700 HK Equity	USD	37.62%	38.01%	25.34%	81.66%
4) BABA US Equity	USD	16.75%	16.75%	4.08%	33.24%



FINANCIALS ARE
DOMINANT

SOME FAT YIELDS

Best Value

BBG Company

BBG	Company	Country	Sector	Mkt cap (US\$m)	3M ADTO (US\$m)	IV PE Model Rank	IV PB Model Rank	12MF div yld (%)
FMG AU	Fortescue Metals Group Ltd	Australia	Materials	29,838	97.7	0.963	0.948	6.8
489 HK	Dongfeng Motor Group Co., Ltd. Class H	China	Consumer Dis	5,392	8.9	0.937	0.979	6.7
1398 HK	Industrial and Commercial Bank of China Limited Class H	China	Financials	223,496	131.4	0.972	0.995	6.1
939 HK	China Construction Bank Corporation Class H	China	Financials	196,455	188.0	0.978	0.996	6.0
1288 HK	Agricultural Bank of China Limited Class H	China	Financials	131,861	38.6	0.96	0.992	7.1
3988 HK	Bank of China Limited Class H	China	Financials	112,054	87.5	0.98	0.998	7.3
3328 HK	Bank of Communications Co., Ltd. Class H	China	Financials	48,006	15.0	0.929	0.98	6.9
1988 HK	China Minsheng Banking Corp., Ltd. Class H	China	Financials	28,415	16.5	0.962	0.99	7.8
998 HK	China CITIC Bank Corporation Ltd Class H	China	Financials	22,352	15.0	0.974	0.993	7.9
267 HK	CITIC Limited	China	Industrials	28,977	14.5	0.919	0.971	6.2
390 HK	China Railway Group Limited Class H	China	Industrials	13,030	7.4	0.93	0.955	4.5
1186 HK	China Railway Construction Corporation Limited Class H	China	Industrials	11,039	9.6	0.972	0.991	4.3
1800 HK	China Communications Construction Co. Ltd. Class H	China	Industrials	9,496	11.7	0.956	0.978	6.2
3323 HK	China National Building Material Co. Ltd. Class H	China	Materials	9,545	29.9	0.912	0.939	4.8
2007 HK	Country Garden Holdings Co. Ltd.	China	Real Estate	28,186	27.2	0.971	0.931	7.4
1918 HK	Sunac China Holdings Ltd.	China	Real Estate	21,340	90.6	0.992	0.947	4.7
1 HK	CK Hutchison Holdings Ltd	Hong Kong	Industrials	25,500	61.3	0.986	0.993	6.1
1113 HK	CK Asset Holdings Limited	Hong Kong	Real Estate	22,422	48.5	0.929	0.955	4.6
COAL IN	Coal India Ltd.	India	Energy	10,980	20.0	0.965	0.999	11.9
SBIN IN	State Bank of India	India	Financials	22,063	174.4	0.972	0.929	1.2
TATA IN	Tata Steel Limited	India	Materials	5,112	62.3	0.929	0.909	2.4
NTPC IN	NTPC Limited	India	Utilities	12,313	22.7	0.94	0.913	6.4
PWGR IN	Power Grid Corporation of India Limited	India	Utilities	12,205	28.0	0.95	0.98	6.8
055550 KS	Shinhan Financial Group Co., Ltd.	Korea	Financials	12,457	57.1	0.94	0.968	6.0
105560 KS	KB Financial Group Inc.	Korea	Financials	11,186	73.5	0.957	0.984	6.1
086790 KS	Hana Financial Group Inc.	Korea	Financials	6,621	45.9	0.96	0.983	7.1
316140 KE	Woori Financial Group, Inc.	Korea	Financials	5,369	17.5	0.913	0.938	7.0
000660 KS	SK hynix Inc	Korea	Info Tech	48,110	274.3	0.919	0.969	1.5
CIMB MK	CIMB Group Holdings Bhd	Malaysia	Financials	8,543	16.2	0.904	0.948	5.3
TOPG MK	Top Glove Corporation Bhd.	Malaysia	Health Care	10,712	54.3	0.943	0.94	2.4
2317 TT	Hon Hai Precision Industry Co., Ltd.	Taiwan	Info Tech	40,462	98.4	0.914	0.966	4.8
2327 TT	Yageo Corporation	Taiwan	Info Tech	5,468	263.0	0.954	0.955	4.3
KBANK TB	Kasikornbank Public Co. Ltd.	Thailand	Financials	7,336	59.5	0.965	0.966	4.2
SCB TB	Siam Commercial Bank Public Company Limited	Thailand	Financials	8,311	42.1	0.936	0.909	6.3

A BUNCH OF VALUE WAS IDENTIFIED A COUPLE OF WEEKS AGO

LINK

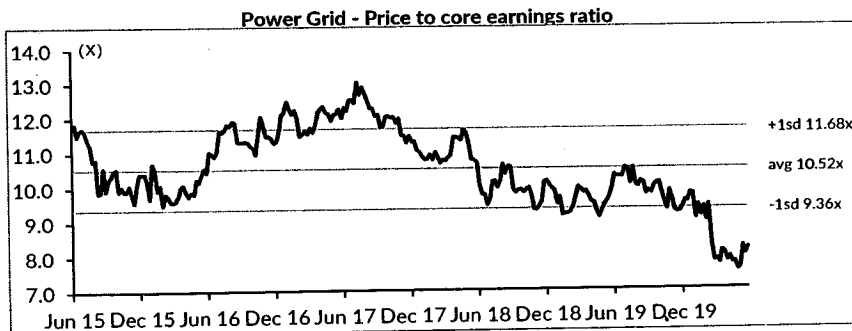
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Bits & pieces

26 June 2020

Interesting Places - A friend of Howard Marks once pointed out that in financial history "everything interesting happens outside of two standard deviations". Grabbing that thought I went looking for Asia-Pac stocks currently trading at greater than 2 standard deviations from their average on a few measures (inc PER & PB, EV/Ebitda and Div Yield).

"We now see PWGR as an island of solid, regulated earnings, and the likely commercialisation of its biggest HVDC project will provide earnings visibility. Also, we see it growing earnings 19% over FY21-23CL with its US\$7bn pipeline and see little downside to our estimated 52% rise in its dividend over FY20-23CL, making it an attractive (6.4%-8.5%) dividend yield stock. Considering PWGR's attractiveness to ESG investors, its inexpensive valuation (at -2 std., 8x FY22CL EPS) and visible 6.4% yield, we upgrade our rating from OPF to Buy." Analyst **Bharat Parekh** on Power Grid which is presently trading >2 std devs below its average PER and PB



MORE VALUE IDEAS

SEVERAL VALUE IDEAS FROM EV MOORE'S "MOORE DAY" DAILY

From: Evelyn Moore, CLSA <evelyn.moore@clsa.com>

- **BAIDU** looks very attractive at current price and with cash hoard to continue investing and growing – surely ads are past worst
- **Telkom** results support our BUY big cap offers 5.8% dividend plus 32% upside to our target... BUY TLKM IJ
- **DAIRY FARM** looks great to me at current valuation as more that headwinds in the price and we all know C-19 is changing grocery and food/hygiene/eating habits around the globe – DAIRY offers 4.3% dividend yield plus 50% upside to target BUY
- **KBANK** –this US\$7.4bil bank offers VALUE – trading on 0.5x p/b paying a 5.2% dividend with 78% eps growth on 7.4x PE21... BUY
- **Ping An** – blue chip – great core holding BUY
- **Korea Zinc** –simple BUY story as stock offers 41% upside and is net cash – dividend yield for '21 is 4.3% recent results BEAT

⊛ THERE'S PLENTY AROUND THE REGION

Telkom (TLKM IJ)

Summary financials

Year to 31 Dec	2018A	2019A	2020CL	2021CL	2022CL
Revenue (Rpbn)	130,784	135,567	142,486	150,792	162,781
Net profit (Rpbn)	18,032	18,663	21,419	23,096	26,109
EPS (Rp)	185.71	192.20	220.59	237.85	268.89
CL/consensus (19) (EPS%)	0.0	0.0	101.7	103.0	107.1
EPS growth (% YoY)	(18.6)	3.5	14.8	7.8	13.0
PE (x)	16.6	16.1	14.0	13.0	11.5
Dividend yield (%)	5.3	5.8	6.3	5.7	6.4
FCF yield (%)	4.7	6.6	7.8	8.7	10.0
PB (x)	3.0	3.0	3.0	2.8	2.6
ROE (%)	18.9	18.9	21.4	22.2	23.7
Net debt/equity (%)	22.7	28.9	33.4	34.4	34.8



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Underappreciated; maintain BUY

Telkom trades at below -1 std. its five-year average valuation. We continue to see 8% core earnings growth this year as achievable and positives from mobile data and Indihome outweighing the non-core and legacy segments.



I WOULD NOT HAVE EXPECTED BAIDU IN THIS LIST

MSCI Asia Apex 50 Index laggards since the great rally (from Feb 2016) began

Ticker	Name	Price	Net Chg	% Chg	Points	%Idx Mv
1 HK Equity	CK Hutchison Holdings Ltd	50.85	-29.35	-36.59%	-6.5	-0.92%
941 HK Equity	China Mobile Ltd	55.05	-12.86	-18.94%	-5.6	-0.79%
BIDU UW Equity	<u>Baidu Inc</u>	132.33	-11.45	-7.96%	-4.5	-0.64%
175 HK Equity	Geely Automobile Holdings Ltd	15.42	-11.45	-42.62%	-4.4	-0.62%
TCOM UW Equity	Trip.com Group Ltd	26.8	-10.08	-27.33%	-4.0	-0.56%
3008 TT Equity	Largan Precision Co Ltd	3960	-1674.48	-29.72%	-3.3	-0.47%
27 HK Equity	Galaxy Entertainment Group Ltd	51.7	-13.9	-21.19%	-3.1	-0.44%
068270 KP Equity	Celltrion Inc	328500	-1098.51	-0.33%	-1.6	-0.22%
JM SP Equity	Jardine Matheson Holdings Ltd	40.15	-11.04	-21.57%	-1.2	-0.18%
012330 KP Equity	Hyundai Mobis Co Ltd	198000	-32793	-14.21%	-1.2	-0.17%
ST SP Equity	Singapore Telecommunications L	2.52	-0.46	-15.48%	-1.1	-0.16%

ATTRACTIVE CHINA
INTERNET PLAY ON THESE FORECASTS



Baidu Inc (BIDU US)

Elinor Leung, CFA

Baidu Inc		
Consensus Rating		4.38
Buy	70.0%	28
Hold	30.0%	12
Sell	0.0%	0

Analyst

Summary financials

Year to 31 Dec	2018A	2019A	2020CL	2021CL	2022CL	12M Tgt Px	37/41	143.35
Revenue (Rmbm)	102,277	107,413	111,422	127,622	144,592	Last Price		125.49
Net profit (Rmbm)	27,573	2,057	10,877	16,420	19,881	Pricing Currency		USD
EPS (Rmb)	79.01	5.91	31.22	47.14	57.07	Return Potential		14.2%
CL/consensus (27) (EPS%)	0.0	0.0	66.0	75.2	73.6			
EPS growth (% YoY)	49.9	(92.5)	428.8	51.0	21.1			
PE (x)	11.7	156.8	29.7	19.6	16.2			
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0			
FCF yield (%)	8.3	6.8	4.5	7.1	8.4			
PB (x)	2.0	2.0	1.8	1.6	1.4			
ROE (%)	19.8	1.3	6.3	8.6	9.2			
Net debt/equity (%)	(43.6)	(46.6)	(49.2)	(53.8)	(58.2)			

MAYBE TIME TO LAUNCH A DIVIDEND

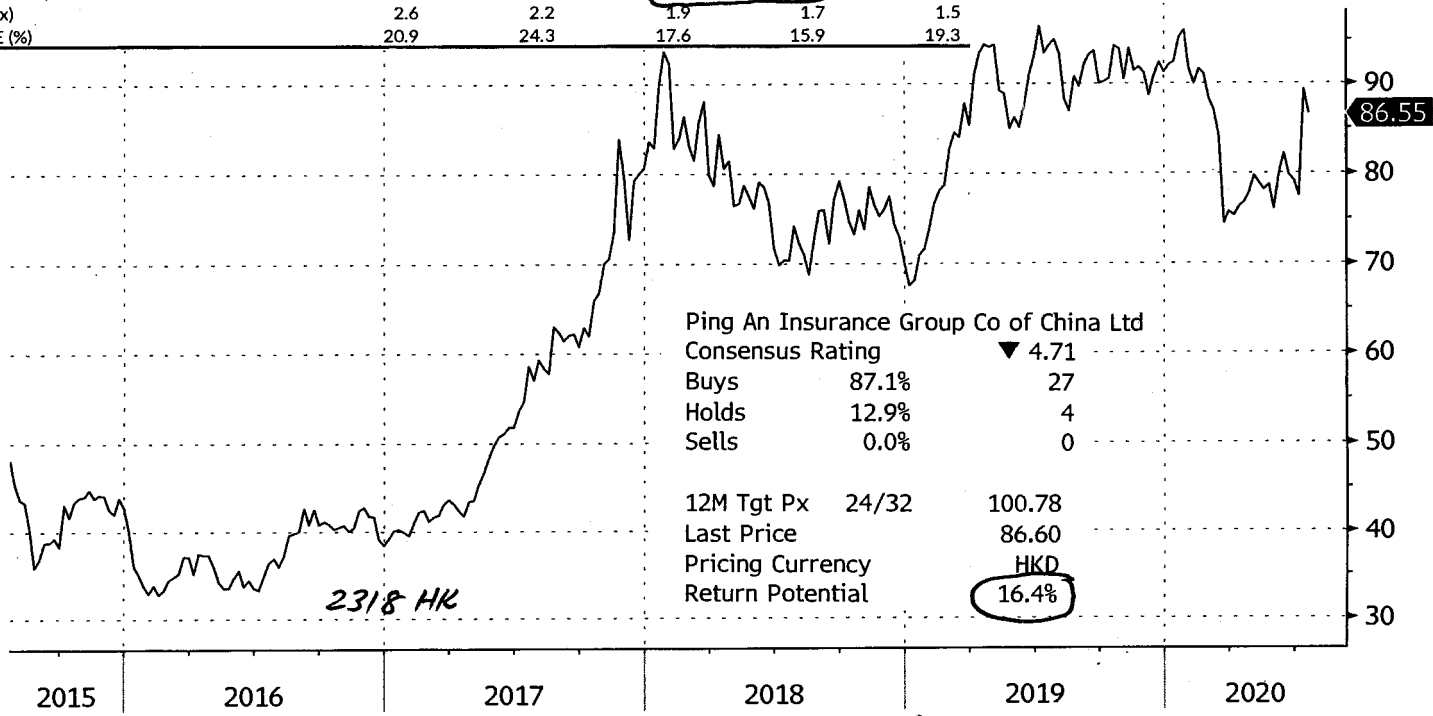


Ping An (2318 HK)

"BLUE CHIP"
VALUE

Summary financials

Year to 31 Dec	2018A	2019A	2020CL	2021CL	2022CL
Operating profit (Rmbm)	163,151	184,739	182,276	186,875	250,422
Net profit (Rmbm)	107,404	149,407	126,059	127,792	176,407
EPS (Rmb)	5.88	8.17	6.90	6.99	9.65
CL/consensus (28) (EPS%)	0.0	0.0	90.8	75.0	90.3
EPS growth (% YoY)	17.6	39.1	(15.6)	1.4	38.0
PE (x)	13.5	9.7	11.5	11.4	8.2
Adjusted EPS (Rmb)	5.9	8.2	6.9	7.0	9.7
Adjusted PE (x)	13.5	9.7	11.5	11.4	8.2
Dividend yield (%)	2.4	2.6	2.7	3.1	3.6
PB (x)	2.6	2.2	1.9	1.7	1.5
ROE (%)	20.9	24.3	17.6	15.9	19.3



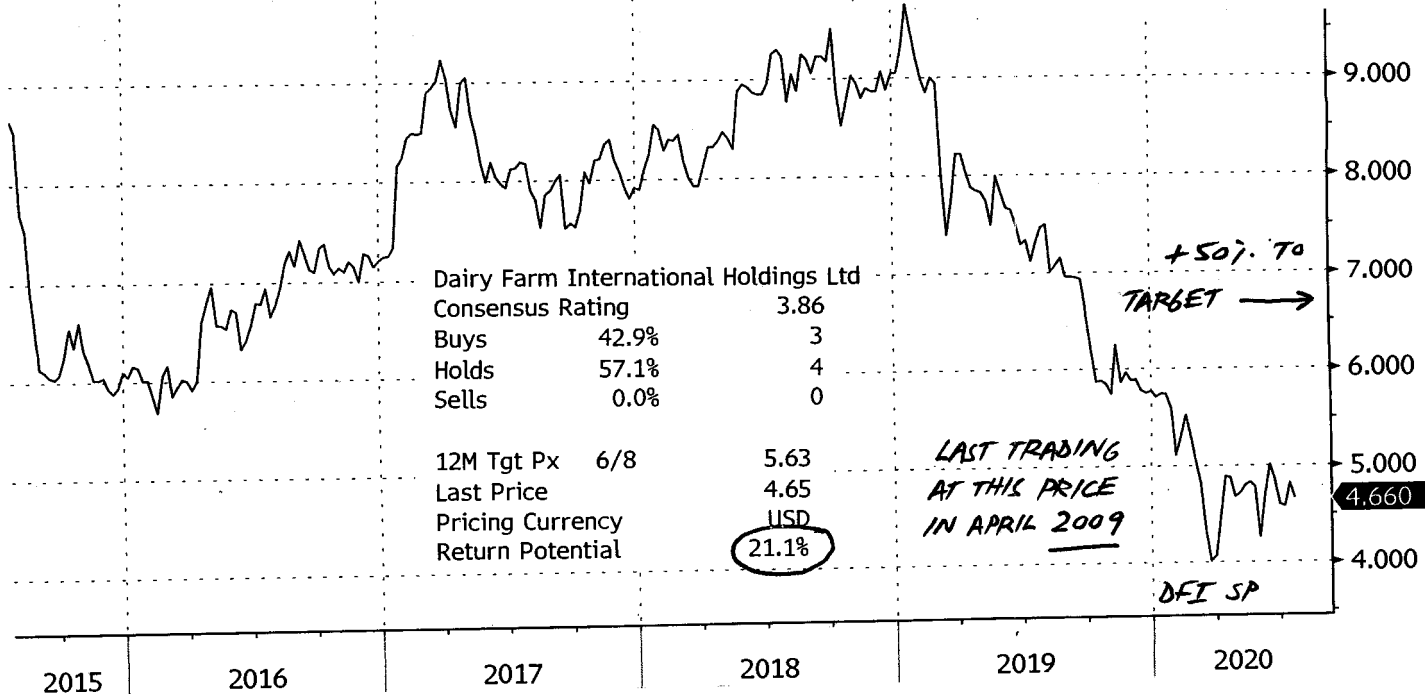
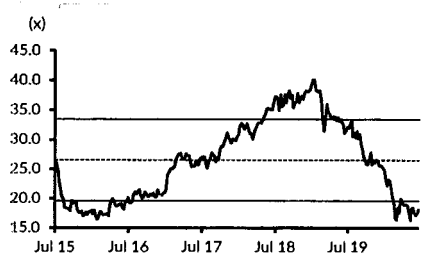
Ping An Insurance Group Co of China Ltd
 Consensus Rating ▼ 4.71
 Buys 87.1% 27
 Holds 12.9% 4
 Sells 0.0% 0
 12M Tgt Px 24/32 100.78
 Last Price 86.60
 Pricing Currency HKD
 Return Potential 16.4%

Dairy Farm (DFI SP)

Summary financials

Year to 31 Dec	2018A	2019A	2020CL	2021CL	2022CL
Revenue (US\$m)	11,749	11,192	11,131	11,873	12,505
Net profit (US\$m)	358	321	302	414	502
EPS (US\$)	0.26	0.24	0.22	0.31	0.37
CL/consensus (8) (EPS%)	0.0	0.0	99.8	109.8	112.9
EPS growth (% YoY)	(24.7)	(10.4)	(5.8)	37.0	21.2
PE (x)	18.3	20.4	21.7	15.8	13.1
Dividend yield (%)	4.3	4.3	3.0	4.1	5.0
FCF yield (%)	6.4	3.9	1.9	3.7	4.8
PB (x)	5.8	5.4	5.3	4.6	4.0
ROE (%)	25.4	27.5	24.7	30.9	32.4
Net debt/equity (%)	65.6	67.8	75.2	63.2	53.1

12M forward PE



Dairy Farm International Holdings Ltd
 Consensus Rating 3.86
 Buys 42.9% 3
 Holds 57.1% 4
 Sells 0.0% 0
 12M Tgt Px 6/8 5.63
 Last Price 4.65
 Pricing Currency USD
 Return Potential 21.1%

+50% TO TARGET →
 LAST TRADING AT THIS PRICE IN APRIL 2009
 DFI SP

Kasikornbank PCL (KBANK TB)

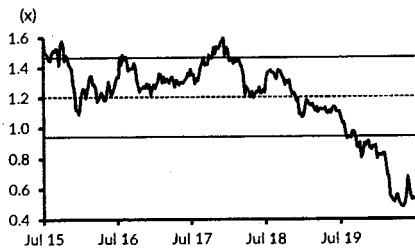
Weerapat Wonk-urai

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Reiterate BUY and TP of Bt129

Our BUY rating is reiterated, while our GGM-based price target of Bt129 is derived from 0.73x PB. We believe our earnings forecast is more conservative and is factored in the high credit cost for 2020-21. KBANK's valuation is now undemanding at 0.5x 20CL PB. The bank has high cushion of capital buffer with capital adequacy ratio of 17.6% in 1Q20.

12M forward PB



Summary financials

Year to 31 Dec	2020CL	2021CL	2022CL
Operating profit (Btm)	24,021	42,851	56,920
Net profit (Btm)	17,346	30,943	41,102
EPS (Bt)	7.25	12.93	17.17
CL/consensus (18) (EPS%)	62.5	98.8	124.1
EPS growth (% YoY)	(55.2)	78.4	32.8
PE (x)	12.4	7.0	5.2
Adjusted EPS (Bt)	7.2	12.9	17.2
Adjusted PE (x)	12.4	7.0	5.2
Dividend yield (%)	4.4	5.6	6.7
PB (x)	0.5	0.5	0.5
ROE (%)	4.2	7.3	9.2

Kasikornbank PCL

Consensus Rating

Buy	55.6%
Hold	29.6%
Sell	14.8%

12M Tgt Px 24/27

Last Price

Pricing Currency

Return Potential

▼ 3.81

15

8

4

110.31

92.00

THB

19.9%

LAST TIME AT THESE PRICES IN 2010

+40% TO TARGET

KBANK TB

2015

2016

2017

2018

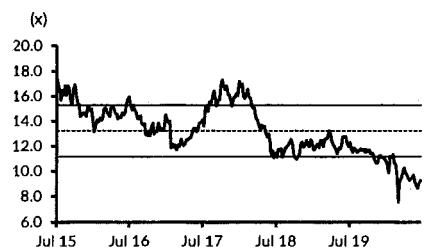
2019

2020

Summary financials

Year to 31 Dec	2018A	2019A	2020CL	2021CL	2022CL
Revenue (bn won)	6,883	6,695	7,153	7,129	7,226
Net profit (bn won)	535	639	675	742	804
EPS (₩)	30,259.29	36,132.81	38,207.16	41,996.05	45,481.01
CL/consensus (18) (EPS%)	0.0	0.0	120.2	121.2	123.0
EPS growth (% YoY)	(15.6)	19.4	5.7	9.9	8.3
PE (x)	12.4	10.4	9.8	8.9	8.2
Dividend yield (%)	2.9	3.7	3.7	4.3	4.5
FCF yield (%)	8.6	5.0	7.3	11.9	11.6
PB (x)	1.1	1.0	0.9	0.9	0.8
ROE (%)	8.8	9.9	9.7	10.0	10.1
Net debt/equity (%)	(9.8)	(9.5)	(11.8)	(16.3)	(19.9)

12M forward PE



Korea Zinc Co Ltd (010130 KS)

+20 YEARS OF KEEPING/RAISING DIVIDENDS.

Korea Zinc Co Ltd

Consensus Rating

Buy	90.5%
Hold	9.5%
Sell	0.0%

12M Tgt Px 13/22

Last Price

Pricing Currency

Return Potential

4.81

19

2

0

521923

369000

KRW

41.4%

0.369M

010130 KS

2015

2016

2017

2018

2019

2020

LAST WORD

I was in a job interview today when the manager handed me his laptop and said, "I want you to try and sell this to me."

So I put it under my arm, walked out of the building and went home.

Eventually he called my mobile and said, "Bring it back here right now!"

I said, "\$100 and it's yours."

ON A BREAK
NEXT WEEK
J AMIAN

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