

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 McNealy post the dot.com implosion*

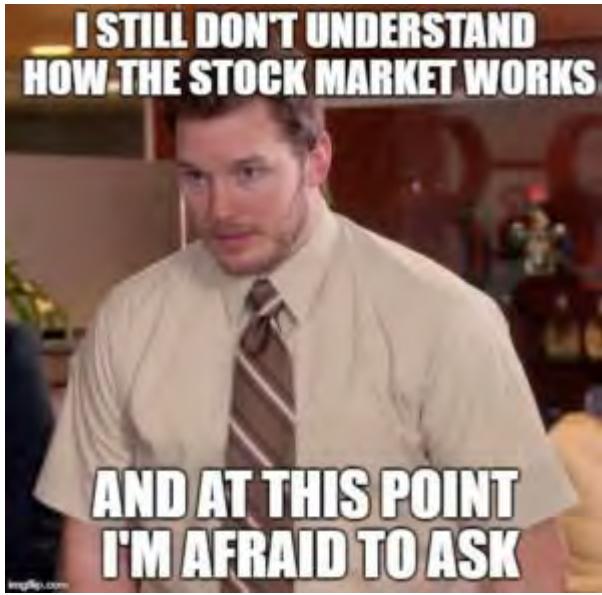
What now? With many of the mega-cap tech/internet leaders offering little upside to consensus target prices (have stocks moved so fast that analysts can't keep up?) it is timely that both CLSA's quant and technical teams point to a period where value is expected to outperform growth - there are plenty 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 | | BEst | | BEst | |
|------------------|------------------------------|-----------------|-----------------------------|---------|---------|-------|--------|--------|--------|
| | | | | P/E | Ratio:Y | BF12M | PEG | P/B | BF12M |
| 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 $>40\times$ P/SALES AND

$>40\times$ 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

✖ boy is #2 hard to model...

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

| Ticker | Name | Market Cap | Ind Subgroup | BEst P/E | | BEst P/B BF12M | BEst P/S BF12M | YTD Tot Ret |
|------------------|------------------------------|-----------------|-----------------------------|----------|---------|-------------------|-------------------|----------------|
| | | | | BF12M | Ratio:Y | | | |
| 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 |
| DOCUS US Equity | DOCUSIGN INC | 38,557,044,736 | Data Processing/Mgmt | 327.61 | 14.35 | 64.92 | 25.98 | 183.51 |
| TSLA 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 |

HERE'S COUPA SOFTWARE.
NOT SO LONG AGO IT WAS $\$100$ -
NOW IT'S $\$300$.

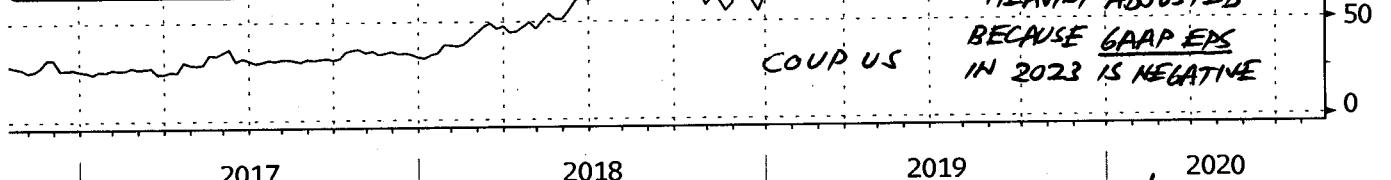
Good
LUCK
UP
HERE

IT HAS A CURRENT MKT CAP OF US\$20 bn.
ITS FORECAST REVENUE IN (2023) IS US\$782m
AND $\$98m$ PROFIT

I.E 2023 PER 300x
EV/SALES 26x

AND THIS IS CLEARLY
HEAVILY ADJUSTED
BECAUSE GAAP EPS
IN 2023 IS NEGATIVE

| | |
|------------------|---------|
| 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 $\sim \$25$ 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.

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)

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

ALRIGHTY THEN - LET'S GO TO LA LA LAND

| Ticker | Name | Market Cap | Ind Subgroup | BEST P/E | YTD Tot Ret | | | |
|------------------|------------------------------|-----------------|----------------------------|----------|-------------|--------------|--------------|--------|
| | | | | BF12M | | | | |
| 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 |
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| 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-Generic 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 |
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| 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-Entmt | | | 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 APPTEC 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-Entmt | 67.44 | 2.54 | 18.76 | 8.86 | 69.59 |
| TSLA US Equity | TESLA INC | 286,549,475,328 | Auto-Cars/Light Trucks | 185.24 | 10.46 | 23.81 | 8.60 | 269.24 |

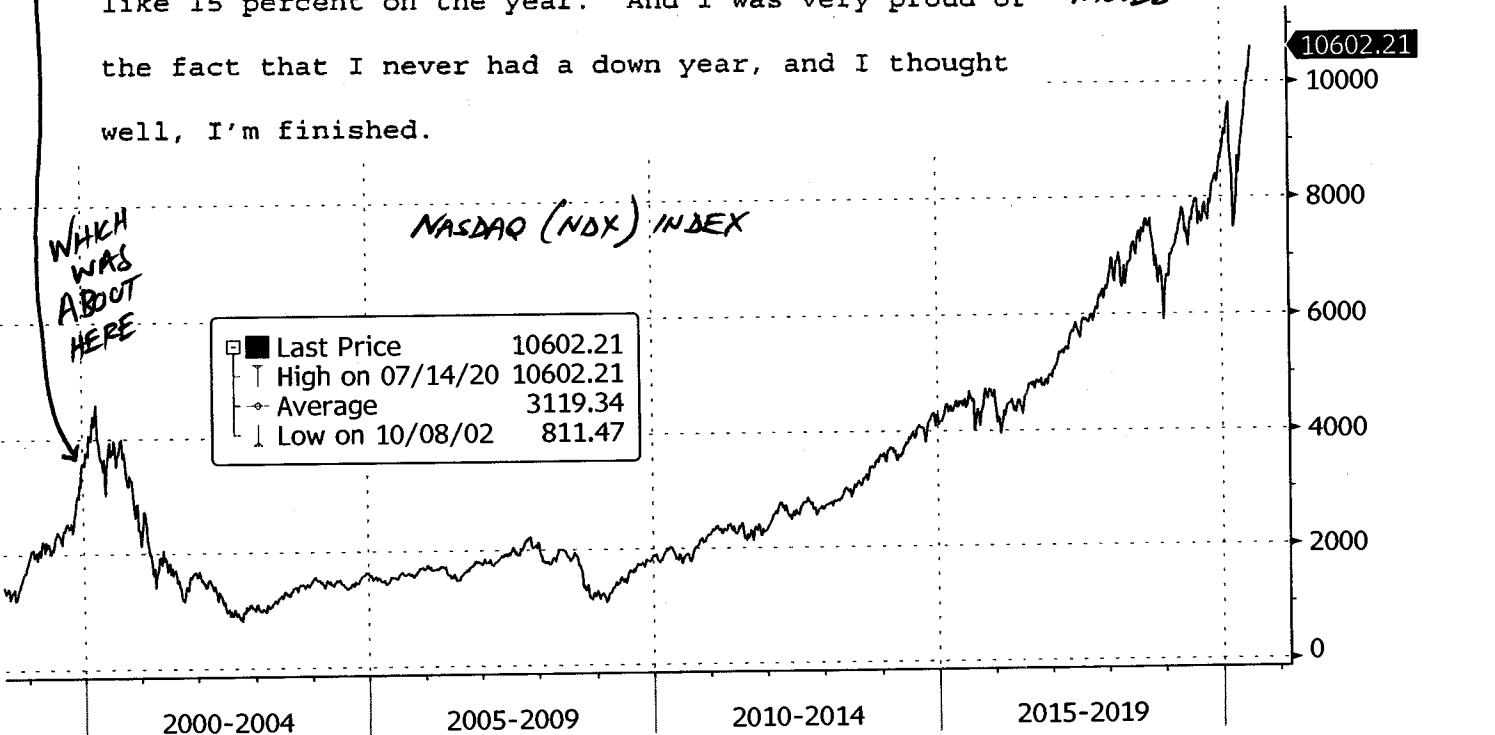
KL: You mentioned some of your biggest winners in your career. What is the biggest mistake you made and what did you learn from it?

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.

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

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
SOMETHING 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.] *JUST 104X PER? AT LEAST THEY HAD EARNINGS* > 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. *HA*

OH DEAR



THE LESSON

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.

NEXT PAGE
SPOT THE DIFF



2 LISTS: SPOT THE DIFF (PER 08/26 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 | 18.5 |
| BRK/A US Equity | BERKSHIRE HATH-A | 81,417,003,008 | 444,141,568,000 | 30.0 |
| AAPL US Equity | APPLE INC | 55,255,998,464 | 1,662,997,626,880 | 5.9 |
| 601398 CH Equity | IND & COMM BK-A | 45,206,674,437 | 256,170,672,128 | 5.4 |
| 939 HK Equity | CCB-H | 38,620,067,779 | 204,634,963,968 | 4.3 |
| 1288 HK Equity | ABC-H | 30,709,509,415 | 164,453,695,488 | 4.1 |
| 3988 HK Equity | BANK OF CHINA-H | 27,134,226,588 | 141,350,207,488 | 10.9 |
| 2318 HK Equity | PING AN | 21,632,527,073 | 212,198,277,120 | 43.0 |
| BABA US Equity | ALIBABA GRP-ADR | 21,457,633,797 | 705,944,158,208 | 9.2 |
| 7203 JP Equity | TOYOTA MOTOR | 19,098,253,318 | 205,882,146,816 | 3.6 |
| GAZP RM Equity | GAZPROM | 18,599,500,929 | 67,058,499,584 | 4.2 |
| 005930 KS Equity | SAMSUNG ELECTRON | 18,459,953,858 | 265,664,200,704 | 9.5 |
| 941 HK Equity | CHINA MOBILE | 15,440,469,197 | 145,557,176,320 | 6.9 |
| 700 HK Equity | TENCENT | 13,510,284,226 | 666,934,771,712 | 48.7 |
| 600036 CH Equity | CHINA MERCHE 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 | 5.5 |
| SBER RM Equity | SBERBANK | 13,064,169,235 | 64,598,892,544 | 4.2 |
| 3328 HK Equity | BANKCOMM-H | 11,189,457,531 | 51,518,713,856 | 22.9 |
| 2330 TT Equity | TSMC | 11,176,057,709 | 54,382,268,416 | 8.9 |
| ROSN RM Equity | ROSNEFT | 10,947,368,950 | 42,117,537,792 | 15.2 |
| INVEB SS Equity | INVESTOR AB-B | 10,709,726,969 | 49,793,617,920 | 5.5 |
| LKOH RM Equity | LUKOIL | 9,898,678,659 | 51,983,720,448 | 5.9 |
| 601166 CH Equity | INDUSTRIAL BAN-A | 9,536,977,898 | 51,151,405,056 | 5.8 |
| 883 HK Equity | CNOOC | 8,838,658,936 | 59,169,775,616 | 5.9 |
| 1658 HK Equity | POSTAL SAVINGS-H | 8,822,442,986 | 48,909,697,024 | 5.9 |
| 600000 CH Equity | SHANG PUDONG-A | 8,529,678,752 | 138,855,399,424 | 8.7 |
| 2628 HK Equity | CHINA LIFE-H | 8,439,330,710 | 68,202,262,528 | 16.4 |
| 386 HK Equity | SINOPEC CORP-H | 8,320,313,713 | 92,578,676,736 | 11.1 |
| 9432 JP Equity | NIPPON TELEGRAPH | 7,867,731,837 | 35,185,926,144 | 4.7 |
| 600016 CH Equity | CHINA MINSHENG-A | 7,792,411,975 | | |

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

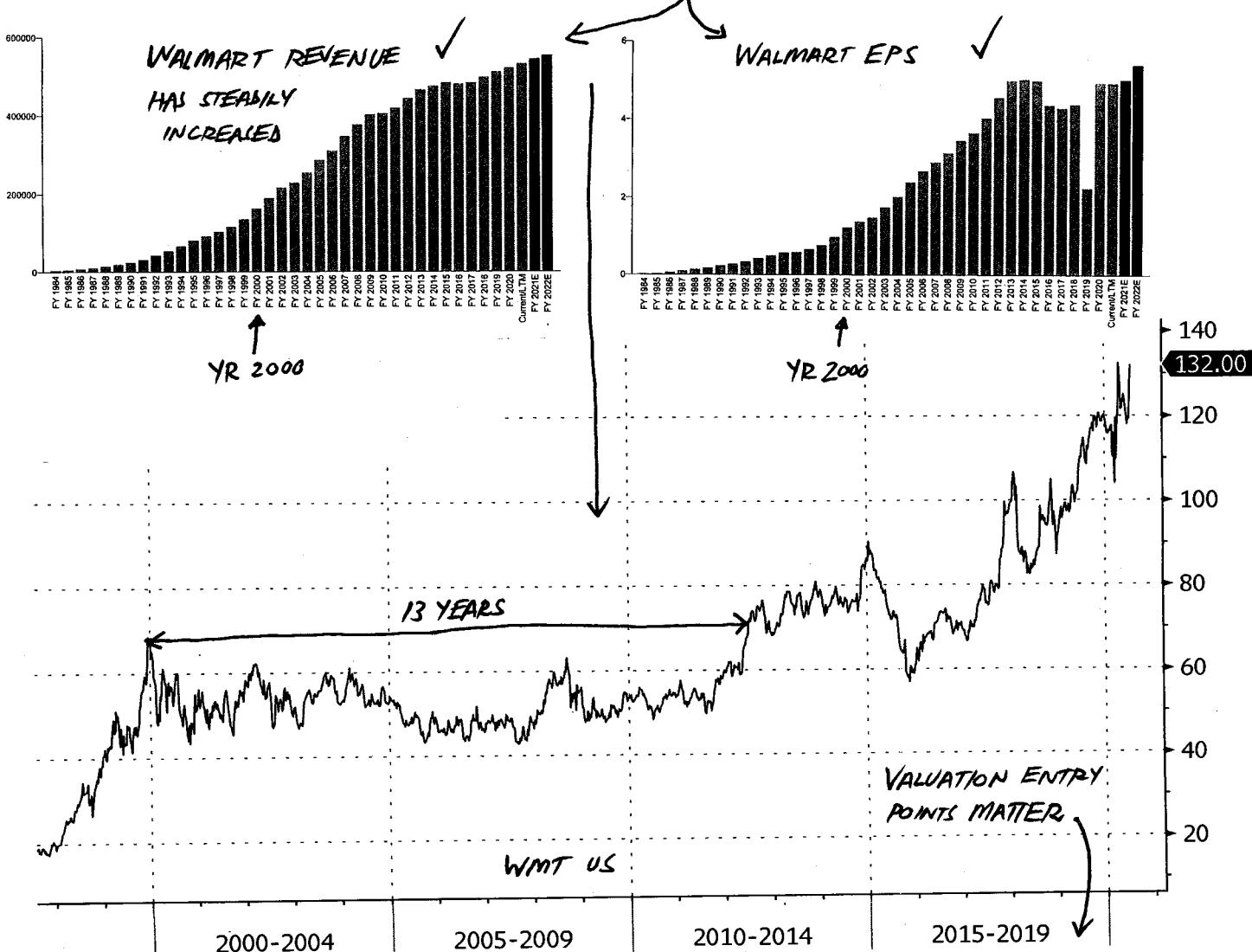
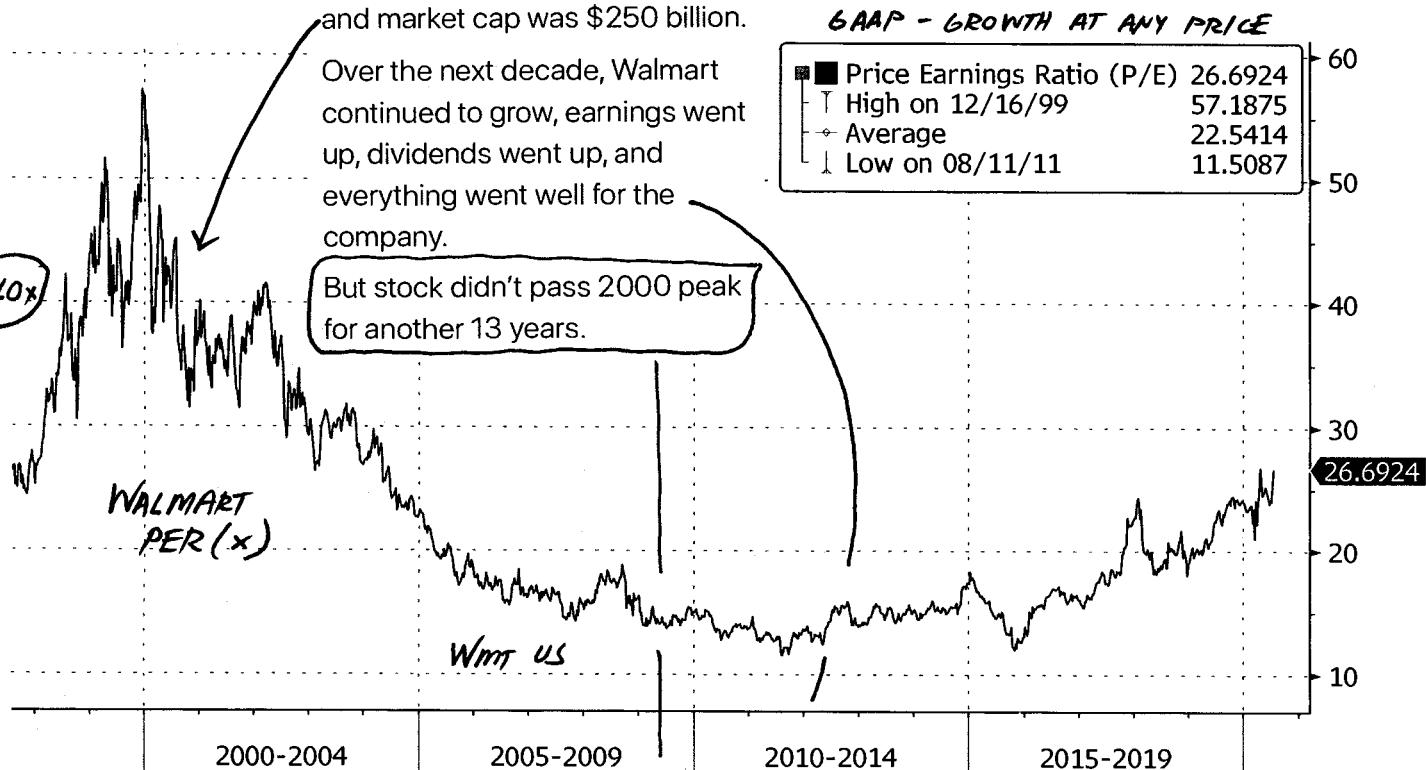
In 2000, Walmart traded at 40x PE and market cap was \$250 billion.

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

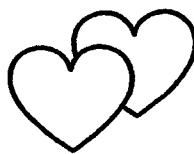
But stock didn't pass 2000 peak for another 13 years.

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% |

A BUNCH OF THESE GUYS NOW

Holger Zschaepitz
@Schuldensuehner

Big Tech is eating the world:

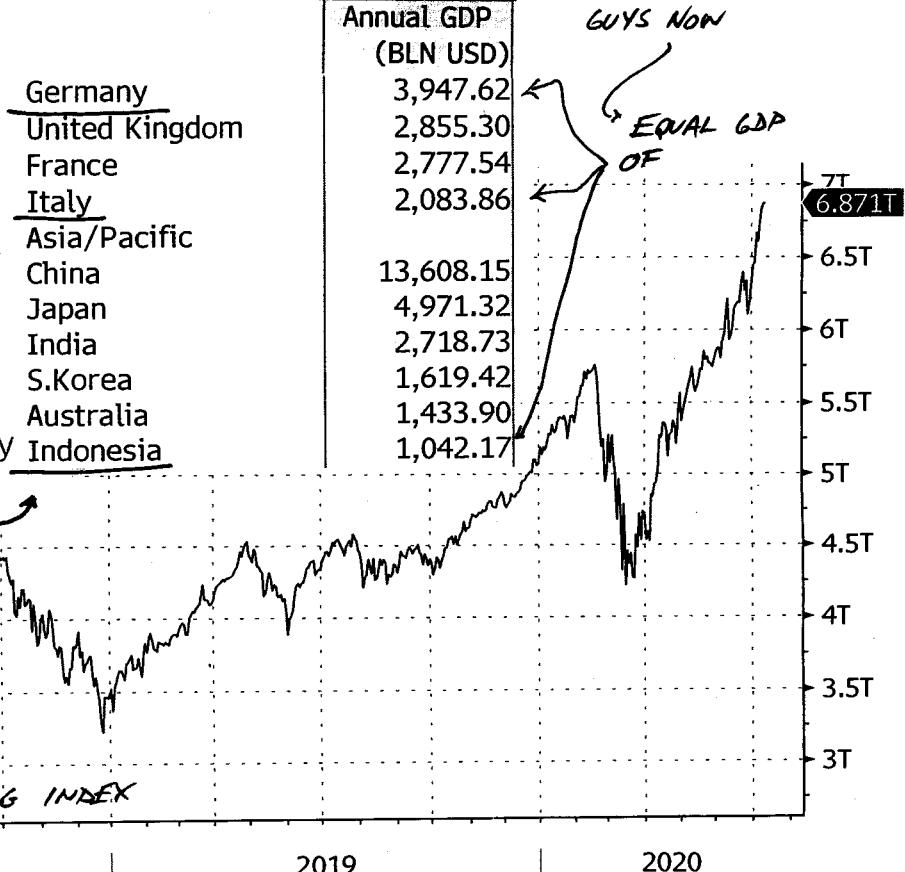
Combined mkt cap of #FANGMAN

(Facebook, Amazon, Netflix,
Google, Microsoft, Apple, Nvidia)

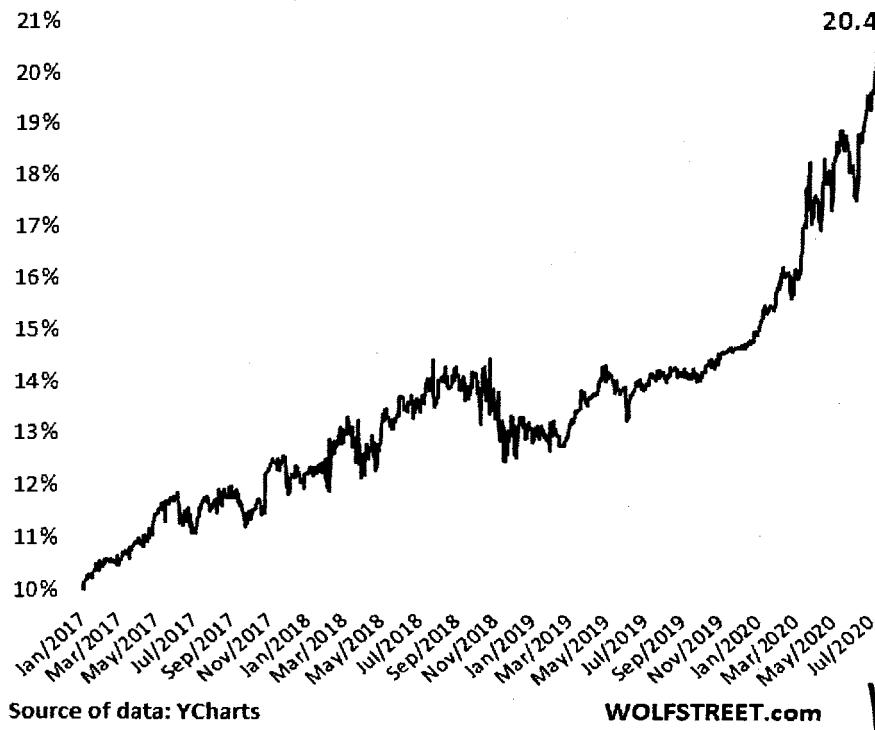
tops \$7tn this week equal to

combined GDP of #Germany, #Italy
and #Indonesia.

NO KIDDING

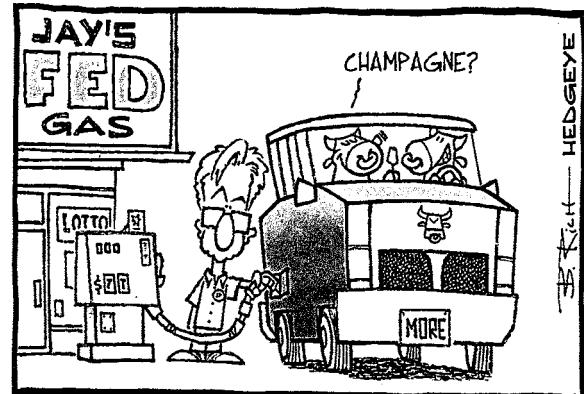


"Giant 5" as % of Wilshire 5000 Market Cap
APPL, MSFT, AMZN, GOOG, FB



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:

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

CNBC - Michael Santoli@MICHAELSANTOLI

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

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.

| | | | | | | | | |
|------------------|------------------|--------|------------------|------------------|---------|------------------|------------------|--------|
| • Apple Inc | Consensus Rating | 4.16 | • Amazon.com Inc | Consensus Rating | 4.75 | • Microsoft Corp | Consensus Rating | ▼ 4.78 |
| Buy | 67.4% | 29 | Buy | 91.2% | 52 | Buy | 89.2% | 33 |
| Holds | 23.3% | 10 | Holds | 7.0% | 4 | Holds | 10.8% | 4 |
| Sells | 9.3% | 4 | Sells | 1.8% | 1 | Sells | 0.0% | 0 |
| 12M Tgt Px | 39/47 | 357.60 | 12M Tgt Px | 50/61 | 2894.43 | 12M Tgt Px | 33/39 | 210.40 |
| Last Price | | 381.91 | Last Price | | 3104.00 | Last Price | | 207.07 |
| Pricing Currency | | USD | Pricing Currency | | USD | Pricing Currency | | USD |
| Return Potential | | -6.4% | Return Potential | | -6.8% | Return Potential | | 1.6% |
| LTM Return | | 90.1% | LTM Return | | 54.4% | LTM Return | | 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 FURTHER INTO LA LA LAND

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).

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

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

< YEP HARD

MARKET COMMENTARY

1st Quarter 2020

HORIZON KINETICS

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 ½ 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?



- 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.
BIG AD LOS. BUT AD LOS
- 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.

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.

GROWTH EXHAUSTION?

*FUN.....
UNTIL
IT'S
GONE*

*LA LA LAND:
A FEW
COMPARISONS*

WHO CAN/NILL DOUBLE NEXT?

LA LA LAND STOCKS OR SOME LAGGARDS

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

AMAZON NEEDS TO

GO TO \$1,000 OR
MKT CAP OF \$3TR

160X PER
17X PB

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

EXXON NEEDS TO GET BACK TO EARLY
2018 PRICE

+ OIL IS NOT GOING AWAY FOR A LONG TIME

2014 2015 2016 2017 2018 2019 2020

1.548T

1.4T

1.2T

1T

0.8T

0.6T

400B

180.375B

1.1X PB

8% YIELD

- FB US Equity (USD) - Current Market Cap 0.681T
- WFC US Equity (USD) - Current Market Cap 104.181B

WHO CAN DOUBLE FROM
CURRENT PRICES FIRST:
FACEBOOK OR WELLS FARGO?

TO DOUBLE FB @ \$1.3 trillion?

HOW SOON?

THINGS AREN'T GREAT AT WELLS FARGO
BUT TO DOUBLE IT JUST NEEDS
TO GET BACK TO HERE

2014 2015 2016 2017 2018 2019 2020

0.681T

0.6T

0.5T

400B

300B

200B

104.181B

- NFLX US Equity - Current Market Cap 231.117B
- DIS US Equity - Current Market Cap 209.924B

WHO CAN DOUBLE FIRST:
NETFLIX OR DISNEY?

TO DOUBLE
NETFLIX @ ~\$2 TRILLION
WITH HUGE COMPETITION
(FRIENDS? THE OFFICE?)

NETFLIX
AND
CHILL

Sep
2019

Dec

Mar

2020

Jun

280B

260B

240B

220B

200B

180B

160B

140B

120B

100B

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.

IM IN

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

AHH GEEZ



WOULD YOU RATHER TESLA

Or Samsung Electronics?

- CRAZY VALUATION
- LITTLE "MOATS" (PUDGES?)
- 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.

Sanjeev Rana

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Taekyoung Ha

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Harry Kim

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THESE OR (SAME Mkt Cap)

| | |
|-------------------------------|--------|
| Zoom Video Communications Inc | 3.43 |
| Consensus Rating | |
| Buys | 39.3% |
| Holds | 42.9% |
| Sells | 17.9% |
| 12M Tgt Px | 19/30 |
| Last Price | 218.58 |
| Pricing Currency | USD |
| Return Potential | -16.0% |

218.58
260.30
USD
-16.0%

Zoom

RUN TOO HARD

OR (S) ASIAN
TEL COS

ZM VS

Zoom @ \$73/bn
MKT CAP NOW

ON ~40X EV/REV
• 54X PB

MAKING \$379m
NET PROFIT

ON \$1.8bn
REVENUE

Jun Sep Dec Mar Jun

2019

Zoom

2020

Jun

Or These 5 Telcos entire mkt cap?

| 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 |

DOCUSIGN

OR FANUC?

LOTS OF
"SIGNING" THE
PAST QUARTER

BBERG FORECAST

- NEG GAAP EPS IN 2024
- EV/REV 26X

AGAIN, DOESN'T
ADD UP

DocuSign Inc

Consensus Rating

Buys 58.8%
Holds 35.3%
Sells 5.9%

12M Tgt Px 15/17

Last Price

Pricing Currency
Return Potential

4.00

10

6

1

173.27

190.02

USD

-8.8%

DOCUSIGN

DOCU VS

Sep

Dec

Mar

Jun

Sep

Dec

Mar

Jun

40B

38,557B

35B

30B

25B

20B

15B

10B

5B

Or Fanuc?

| 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 |

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%.

SAME Mkt Cap



LA LA LANDS ELSEWHERE

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

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

NOT SMALL



Shopify Inc

Consensus Rating

| | |
|-------|-------|
| Buys | 36.4% |
| Holds | 54.5% |
| Sells | 9.1% |

| | |
|------------------|------------|
| 12M Tgt Px | 28/36 |
| Last Price | 1061.69 |
| Pricing Currency | 1402.41 |
| Return Potential | CAD -24.3% |

SHOPIFY OR
SEVERAL LEADING
ASIAN RETAILERS?

SHOP CN

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

SHOPIFY: 2 BN
REV
↓
SIM - EPS
↓
↓

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

| 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 |

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

- SIMILAR CONCENTRATION
- SIMILAR IMPACT

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% |

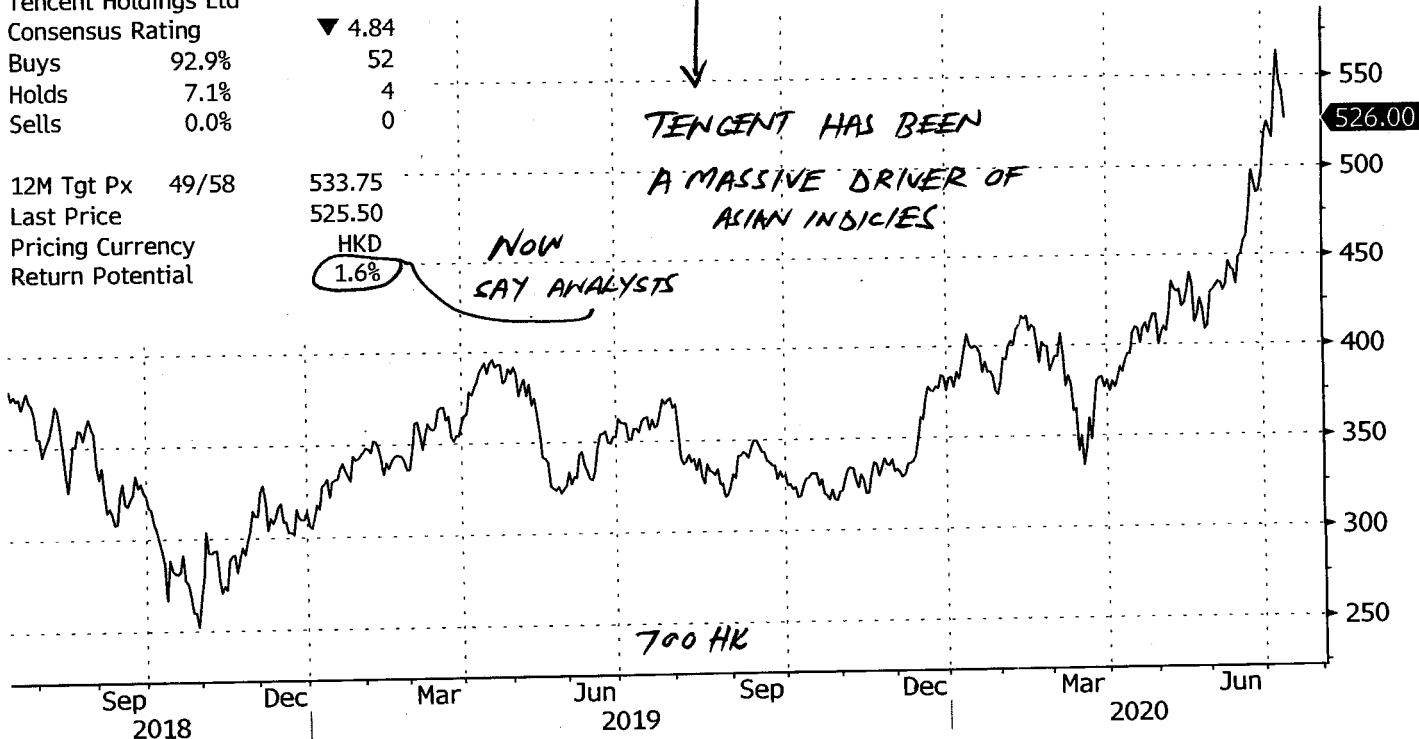
| | |
|----------------------|--------|
| Tencent Holdings Ltd | ▼ 4.84 |
| Consensus Rating | |
| Buys 92.9% | 52 |
| Holds 7.1% | 4 |
| Sells 0.0% | 0 |
| 12M Tgt Px 49/58 | 533.75 |
| Last Price 525.50 | |
| Pricing Currency HKD | 1.6% |
| Return Potential | |

NOW
 SAY ANALYSTS

700 HK

TENCENT HAS BEEN

A MASSIVE DRIVER OF
 ASIAN INDICES



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 Ret |
|------------------|-------------------------------|-----------------|-----------------------------|----------------|-------------|----------------|----------------|-------------|
| | | | | BEst P/E BF12M | PEG Ratio:Y | BEst P/B BF12M | BEst P/S BF12M | |
| 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 TECHIN-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 |

CLSA

GSX Techedu

US\$78.21 - SELL

A LOOK AT
A FEW

FOR HOW LONG?

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.

A SURE
SIGN OF
HMMMM

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

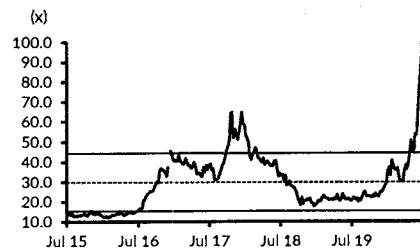


CLSA

SMIC

HK\$23.20 **SELL**

12M forward PE



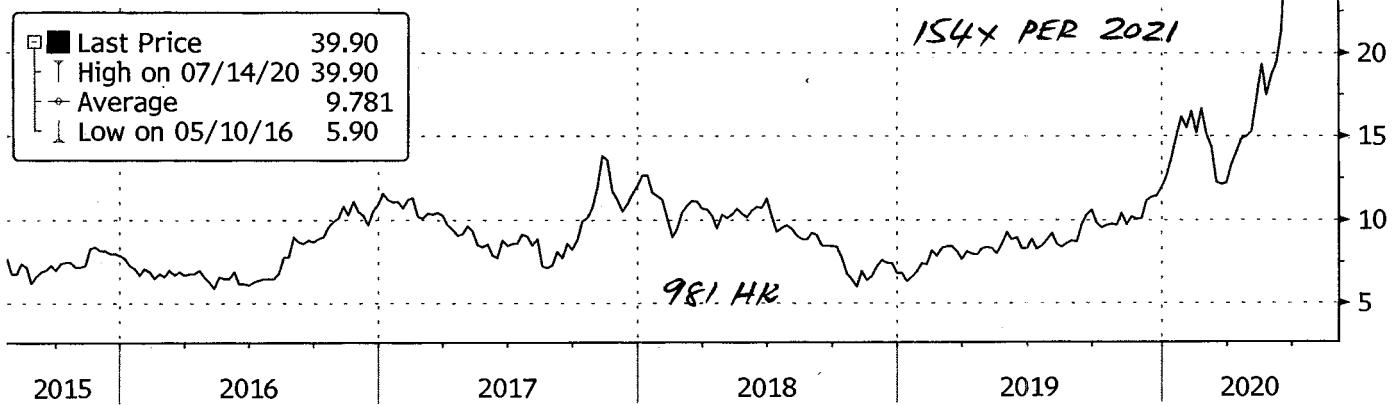
Sebastian Hou

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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).

| | |
|------------------|-------|
| Last Price | 39.90 |
| High on 07/14/20 | 39.90 |
| Average | 9.781 |
| Low on 05/10/16 | 5.90 |



+233% YTD

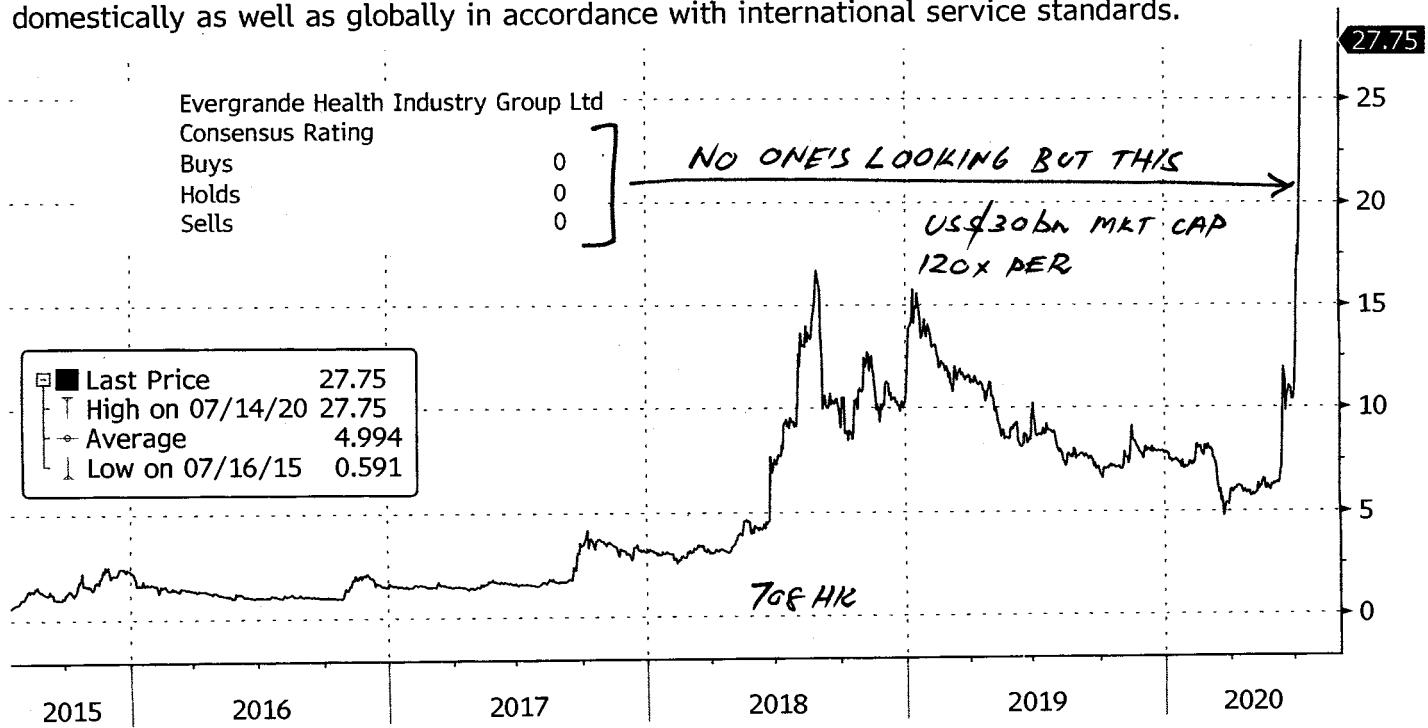
Evergrande Health Industry Group Limited is an international enterprise group devoted to providing first-class aesthetic surgery, anti-aging and other health services. The Company provides services domestically as well as globally in accordance with international service standards.

| | |
|--------------------------------------|---|
| Evergrande Health Industry Group Ltd | |
| Consensus Rating | |
| Buys | 0 |
| Holds | 0 |
| Sells | 0 |

NO ONE'S LOOKING BUT THIS

| | |
|------------------|-------|
| Last Price | 27.75 |
| High on 07/14/20 | 27.75 |
| Average | 4.994 |
| Low on 07/16/15 | 0.591 |

US\$30bn Mkt Cap
120x PER



From: Nicholas Chung, CLSA <nicholas.chung@clsa.com>

Sent: Wednesday, July 15, 2020 8:43 AM

Subject: BYD rerating thesis

CITIC- BYD RERATING THESIS

BYD NEEDS
A RE-RATING
+130% YTD

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.
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.

AND WHERE'S TESLA?



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13 July 2020

China
Technology

Ride the wave

TARGET EV/SALES 15x
Wow

Structural change?

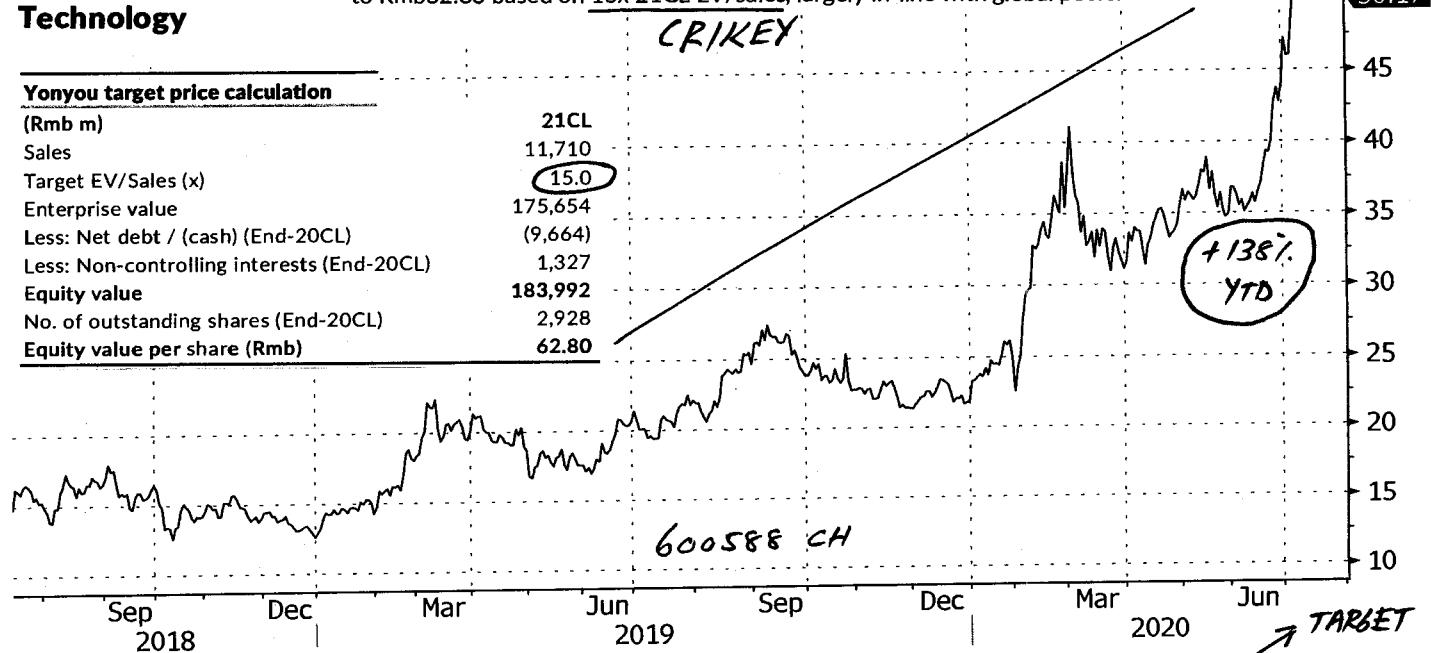
Kingdee's and Yonyou's share prices have surged by 148% & 138% YTD, massively outperform MSCI CN's 17.5%. The trend is consistent with the global large-cap technology names' rallies (such as FAANG, ATM & global SaaS vendors) as market expects Covid-19 may bring global structural change (including China) 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.

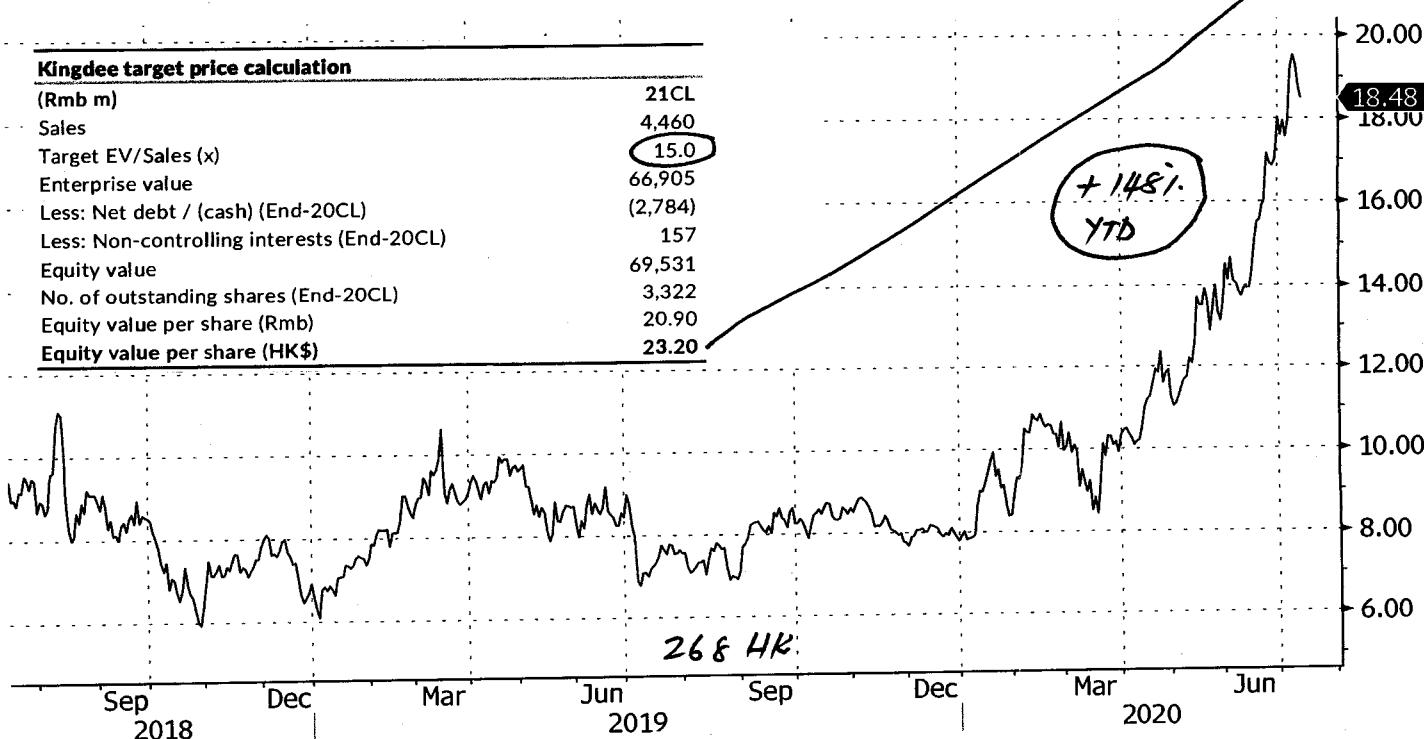
Yonyou target price calculation

| (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 | | |
|------------------|------------------------------|----------------|----------------------------|-------------------|----------------|-------------------|-------------------|--------|
| | | | | BEst P/E BF12M | PEG Ratio:Y | BEst P/B BF12M | BEst P/S BF12M | Ret |
| 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-Entmt | 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 |

CLSA

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.

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

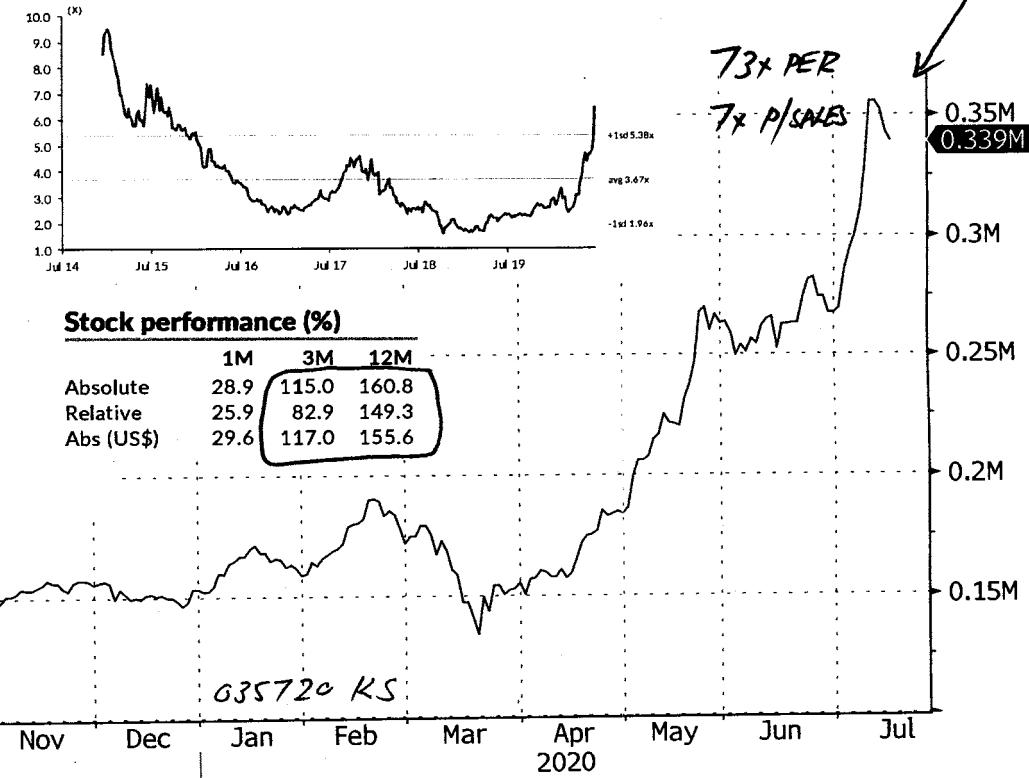
12M price target ₩350,000
±% potential +2%

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



The Afterpay Bubble

(livewiremarkets.com) MARCUS PADLEY



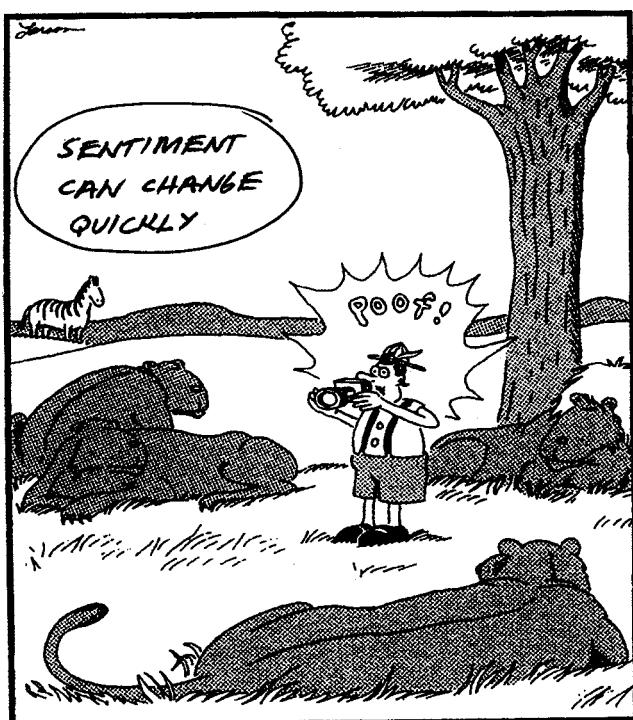
Are you a sensible investor? Then you are almost certainly having a few thoughts about technology stocks, including regret, regret at not holding technology stocks, and regret at not holding **Afterpay** which is up 856% from the low in March and up 38% in 9 trading days.

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

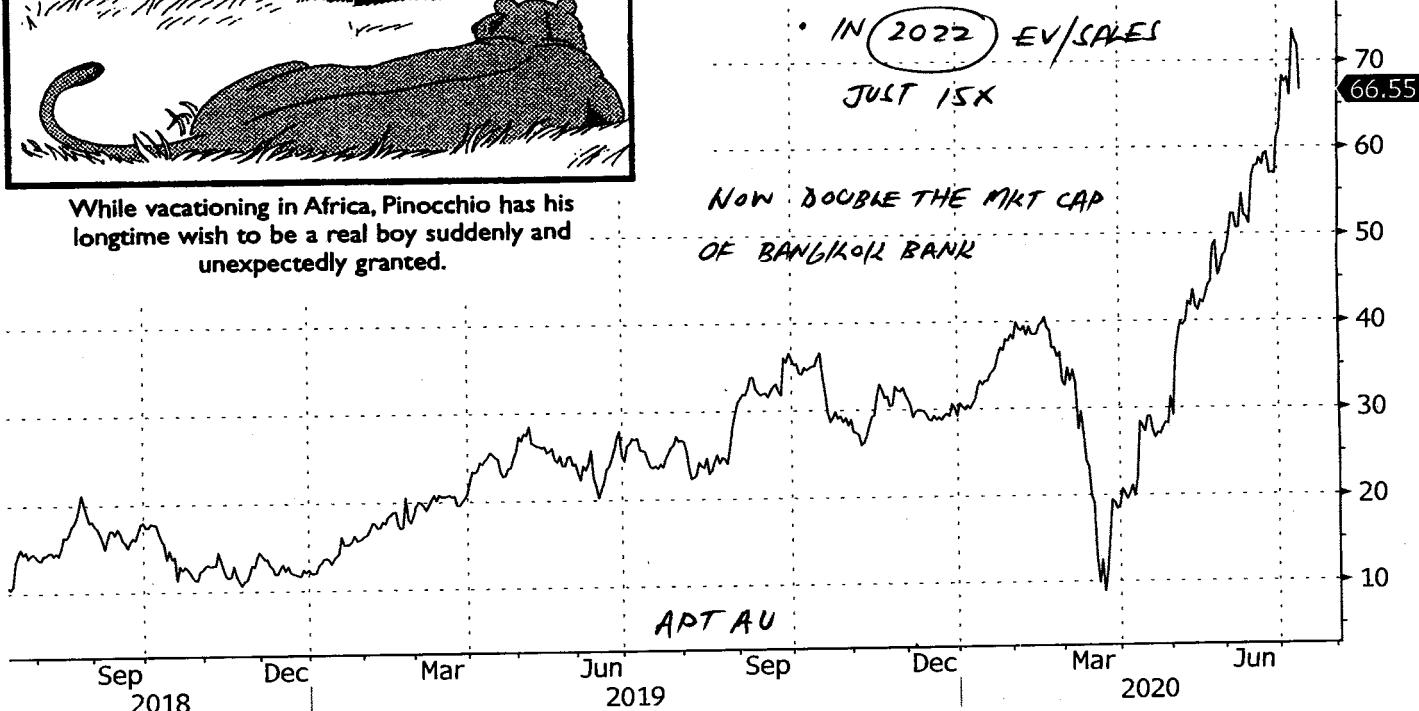


| | |
|------------------|-------|
| Afterpay Ltd | 3.38 |
| Consensus Rating | |
| Buys | 38.5% |
| Holds | 46.2% |
| Sells | 15.4% |
| 12M Tgt Px | 13/15 |
| Last Price | 65.20 |
| Pricing Currency | 68.87 |
| Return Potential | AUD |
| | -5.3% |

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 | | P/E (Core) 2020 | PEG Ratio | EV/Sales 2020 |
|--------------|------------------|-----------|----------|------------------------------------|-------------------|------------------|--------------------|--------|-----------------------|--------------|------------------|
| | | | | | | | 2020 | 2021 | | | |
| 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) |

MEDIATEK (CONT'D)

| | |
|------------------|-------|
| MediaTek Inc | 4.61 |
| Consensus Rating | 25 |
| Buys | 80.6% |
| Holds | 19.4% |
| Sells | 0.0% |

| | |
|------------------|--------|
| 12M Tgt Px | 23/32 |
| Last Price | 612.87 |
| Pricing Currency | 610.00 |
| Return Potential | 0.5% |

ARRIVED SAYS
ANALYST TARGETS

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 |

2454 TT

629.00

600

500

400

300

200

2015

2016

2017

2018

2019

2020

TSMC

NT\$354.50 - BUY

Produced by CL SECURITIES Taiwan

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Far more than trumping cyclicity

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 cyclicity, similar to the internet giants, which deserves a rerating 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.

Recommendation history of Taiwan Semiconductor Manufacturing Co Ltd 2330 TT

— Sebastian Hou, CLSA ● BUY ▲ O-PF
— Other analysts ▼ U-PF ✕ SELL
No coverage ■ N-R

TSMC @ NT\$500
TARGET

PREVIOUS

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

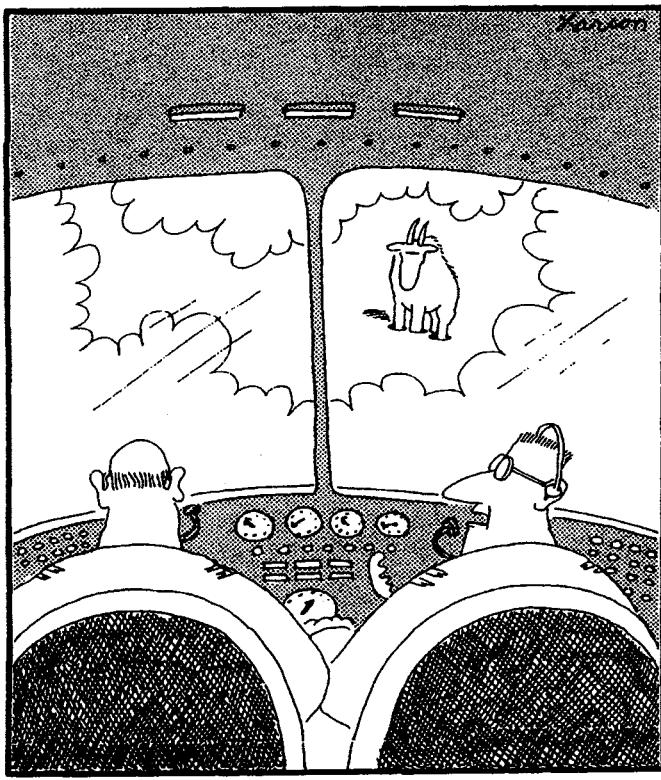
Financials

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



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

CLSA

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

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



GROWTH > VALUE

IF LA LA LAND STOCKS TAKE A BREATHER

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

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Price Action
Global

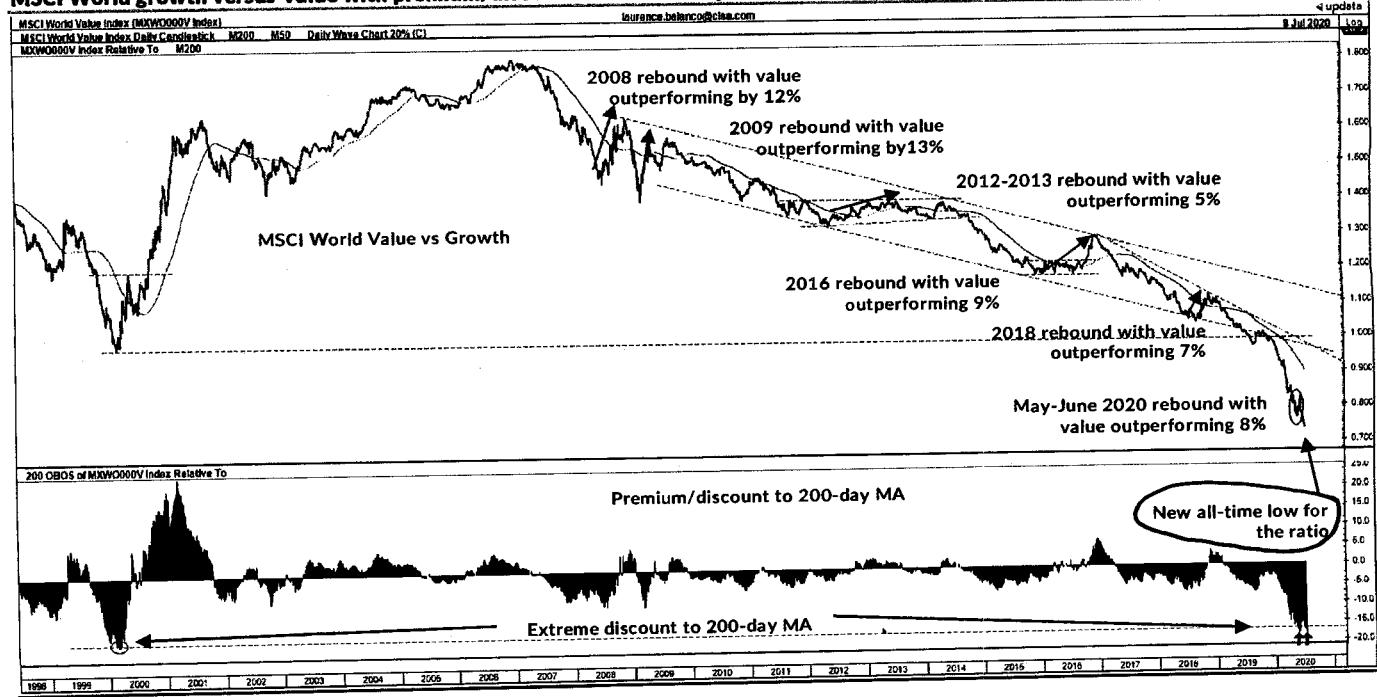


Rubber band effect

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.

→ 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 →

9 July 2020

Global

Technical analysis

THINK NON-US
VALUE

LIKE THESE

- **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.
- **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 ratio 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 (ICICIBC 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)

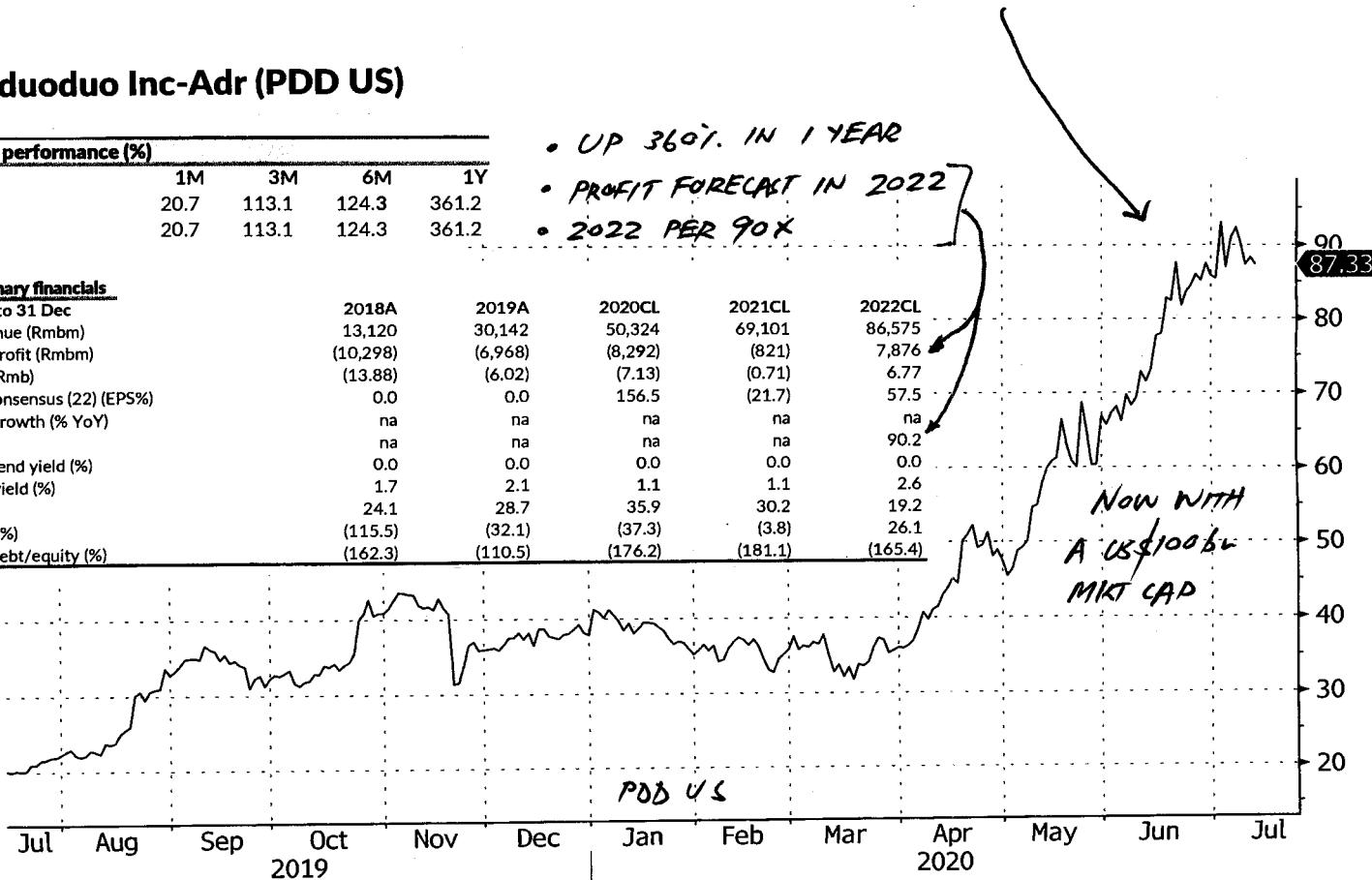
| | 1M | 3M | 6M | 1Y |
|-------|------|-------|-------|-------|
| Local | 20.7 | 113.1 | 124.3 | 361.2 |
| US\$ | 20.7 | 113.1 | 124.3 | 361.2 |

| Summary financials | 2018A | 2019A | 2020CL | 2021CL | 2022CL |
|--------------------------|----------|---------|---------|---------|---------|
| Year to 31 Dec | | | | | |
| 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 reflation 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 $\begin{cases} \text{GARP (GROWTH AT A REASONABLE PRICE)} \\ \text{to outperform} \\ \text{GAAP (GROWTH AT ANY PRICE) AKA: LA LA LAND STOCKS} \end{cases}$

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 BULL. SAMSUNG ELEC THE STANDBY

| 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 |

CLSA

ONE OF THE "BEST GARA" PICKS

Samsung Electronics

₩55,000 - BUY

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Harry Kim

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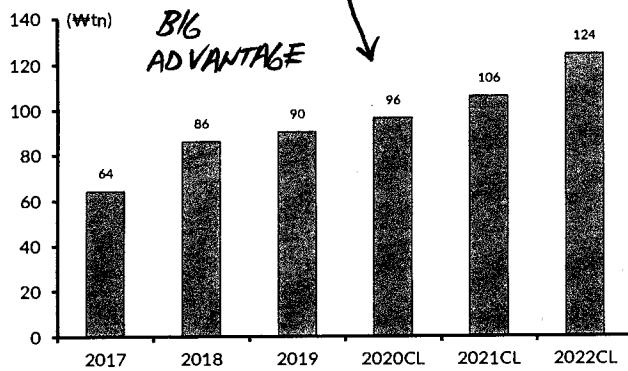
Strong near-term profit outlook

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

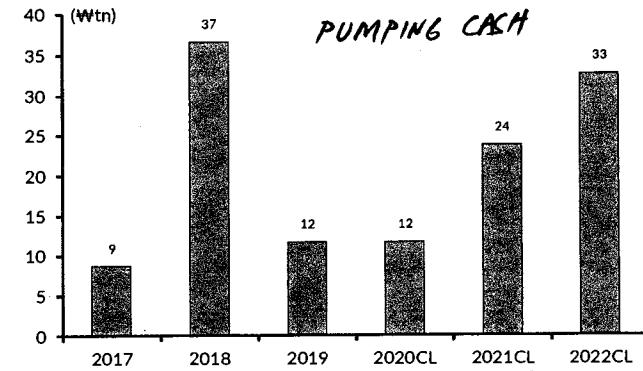
Well positioned to benefit from structural trends, to add new growth engines

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

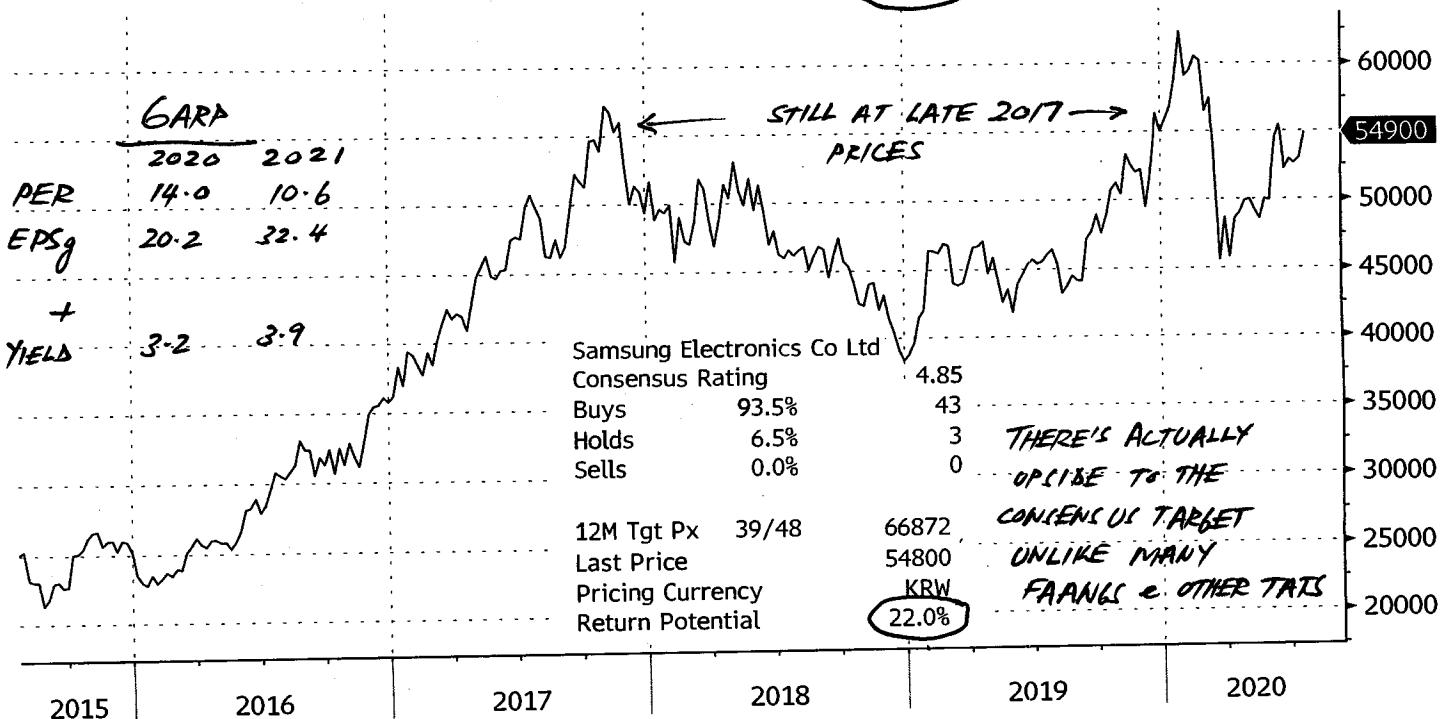


AMONGST THE TATS (TENCENT, ALIBABA, TIMC, SAMSUNG)

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*

Best Value

BBG Company

FMG AU Fortescue Metals Group Ltd
 489 HK Dongfeng Motor Group Co., Ltd. Class H
 1398 HK Industrial and Commercial Bank of China Limited Class H
 939 HK China Construction Bank Corporation Class H
 1288 HK Agricultural Bank of China Limited Class H
 3988 HK Bank of China Limited Class H
 3328 HK Bank of Communications Co., Ltd. Class H
 1988 HK China Minsheng Banking Corp., Ltd. Class H
 998 HK China CITIC Bank Corporation Ltd Class H
 267 HK CITIC Limited
 390 HK China Railway Group Limited Class H
 1186 HK China Railway Construction Corporation Limited Class H
 1800 HK China Communications Construction Co. Ltd. Class H
 3323 HK China National Building Material Co. Ltd. Class H
 2007 HK Country Garden Holdings Co. Ltd.
 1918 HK Sunac China Holdings Ltd.
 1 HK CK Hutchison Holdings Ltd
 1113 HK CK Asset Holdings Limited
 COAL IN Coal India Ltd.
 SBIN IN State Bank of India
 TATA IN Tata Steel Limited
 NTPC IN NTPC Limited
 PWGR IN Power Grid Corporation of India Limited
 055550 KS Shinhan Financial Group Co., Ltd.
 105560 KS KB Financial Group Inc.
 086790 KS Hana Financial Group Inc.
 316140 KS Woori Financial Group, Inc.
 000660 KS SK hynix Inc
 CIMB MK CIMB Group Holdings Bhd
 TOPG MK Top Glove Corporation Bhd.
 2317 TT Hon Hai Precision Industry Co., Ltd.
 2327 TT Yageo Corporation
 KBANK TB Kasikornbank Public Co. Ltd.
 SCB TB Siam Commercial Bank Public Company Limited

SOME FAT YIELDS

| Country | Sector | Mkt cap (US\$m) | 3M ADTO (US\$m) | IV PE Model Rank | IV PB Model Rank | IV PB 12MF div Model yld (%) Rank |
|-----------|--------------|--------------------|--------------------|------------------------|------------------------|---|
| Australia | Materials | 29,838 | 97.7 | 0.963 | 0.948 | 6.8 |
| China | Consumer Dis | 5,392 | 8.9 | 0.937 | 0.979 | 6.7 |
| China | Financials | 223,496 | 131.4 | 0.972 | 0.995 | 6.1 |
| China | Financials | 196,455 | 188.0 | 0.978 | 0.996 | 6.0 |
| China | Financials | 131,861 | 38.6 | 0.96 | 0.992 | 7.1 |
| China | Financials | 112,054 | 87.5 | 0.98 | 0.998 | 7.3 |
| China | Financials | 48,006 | 15.0 | 0.929 | 0.98 | 6.9 |
| China | Financials | 28,415 | 16.5 | 0.962 | 0.99 | 7.8 |
| China | Financials | 22,352 | 15.0 | 0.974 | 0.993 | 7.9 |
| China | Industrials | 28,977 | 14.5 | 0.919 | 0.971 | 6.2 |
| China | Industrials | 13,030 | 7.4 | 0.93 | 0.955 | 4.5 |
| China | Industrials | 11,039 | 9.6 | 0.972 | 0.991 | 4.3 |
| China | Industrials | 9,496 | 11.7 | 0.956 | 0.978 | 6.2 |
| China | Materials | 9,545 | 29.9 | 0.912 | 0.939 | 4.8 |
| China | Real Estate | 28,186 | 27.2 | 0.971 | 0.931 | 7.4 |
| China | Real Estate | 21,340 | 90.6 | 0.992 | 0.947 | 4.7 |
| Hong Kong | Industrials | 25,500 | 61.3 | 0.986 | 0.993 | 6.1 |
| Hong Kong | Real Estate | 22,422 | 48.5 | 0.929 | 0.955 | 4.6 |
| India | Energy | 10,980 | 20.0 | 0.965 | 0.999 | 11.9 |
| India | Financials | 22,063 | 174.4 | 0.972 | 0.929 | 1.2 |
| India | Materials | 5,112 | 62.3 | 0.929 | 0.909 | 2.4 |
| India | Utilities | 12,313 | 22.7 | 0.94 | 0.913 | 6.4 |
| India | Utilities | 12,205 | 28.0 | 0.95 | 0.98 | 6.8 |
| Korea | Financials | 12,457 | 57.1 | 0.94 | 0.968 | 6.0 |
| Korea | Financials | 11,186 | 73.5 | 0.957 | 0.984 | 6.1 |
| Korea | Financials | 6,621 | 45.9 | 0.96 | 0.983 | 7.1 |
| Korea | Financials | 5,369 | 17.5 | 0.913 | 0.938 | 7.0 |
| Korea | Info Tech | 48,110 | 274.3 | 0.919 | 0.969 | 1.5 |
| Malaysia | Financials | 8,543 | 16.2 | 0.904 | 0.948 | 5.3 |
| Malaysia | Health Care | 10,712 | 54.3 | 0.943 | 0.94 | 2.4 |
| Taiwan | Info Tech | 40,462 | 98.4 | 0.914 | 0.966 | 4.8 |
| Taiwan | Info Tech | 5,468 | 263.0 | 0.954 | 0.955 | 4.3 |
| Thailand | Financials | 7,336 | 59.5 | 0.965 | 0.966 | 4.2 |
| Thailand | Financials | 8,311 | 42.1 | 0.936 | 0.909 | 6.3 |

*A BUNCH OF VALUE WAS
IDENTIFIED A COUPLE OF WEEKS AGO*

LINK

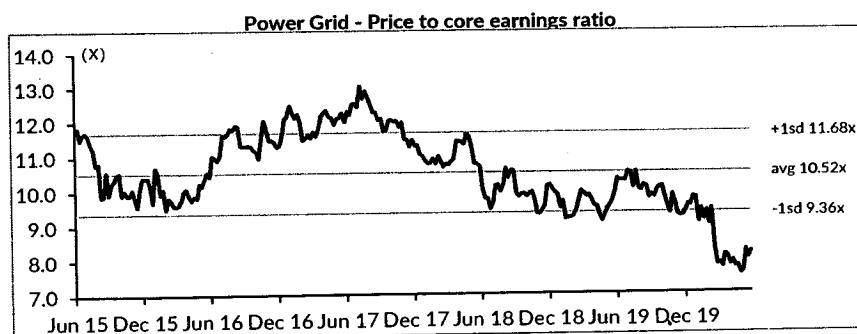
CLSA

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

Summary financials

| Year to 31 Dec | 2018A | 2019A | 2020CL | 2021CL | 2022CL | 12M forward PE | 5 yr low |
|--------------------------|---------|---------|---------|---------|---------|----------------|----------|
| Revenue (Rpbn) | 130,784 | 135,567 | 142,486 | 150,792 | 162,781 | (x) | |
| Net profit (Rpbn) | 18,032 | 18,663 | 21,419 | 23,096 | 26,109 | 26.0 | |
| EPS (Rp) | 185.71 | 192.20 | 220.59 | 237.85 | 268.89 | 24.0 | |
| CL/consensus (19) (EPS%) | 0.0 | 0.0 | 101.7 | 103.0 | 107.1 | 13.0 | |
| EPS growth (% YoY) | (18.6) | 3.5 | 14.8 | 7.8 | 11.5 | 22.0 | |
| PE (x) | 16.6 | 16.1 | 14.0 | 13.0 | 6.4 | 20.0 | |
| Dividend yield (%) | 5.3 | 5.8 | 6.3 | 5.7 | 10.0 | 18.0 | |
| FCF yield (%) | 4.7 | 6.6 | 7.8 | 8.7 | 2.6 | 16.0 | |
| PB (x) | 3.0 | 3.0 | 3.0 | 2.8 | 23.7 | 14.0 | |
| ROE (%) | 18.9 | 18.9 | 21.4 | 22.2 | 34.8 | 12.0 | |
| Net debt/equity (%) | 22.7 | 28.9 | 33.4 | 34.4 | | | |

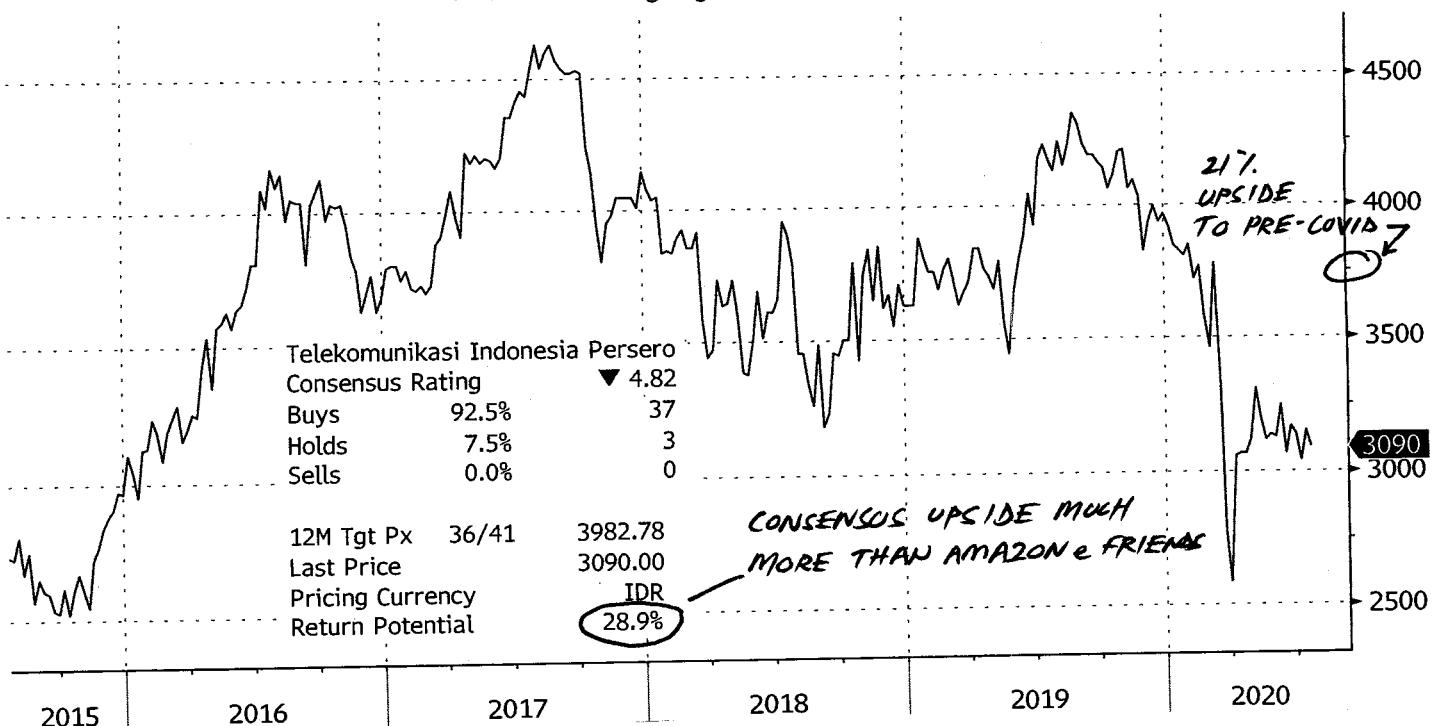
Telkom (TLKM IJ)

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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 | Lagan 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 |
| Holds | 30.0% | 12 |
| Sells | 0.0% | 0 |

Analyst

Summary financials

Year to 31 Dec

Revenue (Rmbm)

Net profit (Rmbm)

EPS (Rmb)

CL/consensus (27) (EPS%)

EPS growth (% YoY)

PE (x)

Dividend yield (%)

FCF yield (%)

PB (x)

ROE (%)

Net debt/equity (%)

| 2018A | 2019A | 2020CL | 2021CL | 2022CL | |
|---------|---------|---------|---------|---------|------------------|
| 102,277 | 107,413 | 111,422 | 127,622 | 144,592 | 12M Tgt Px |
| 27,573 | 2,057 | 10,877 | 16,420 | 19,881 | Last Price |
| 79.01 | 5.91 | 31.22 | 47.14 | 57.07 | Pricing Currency |
| 0.0 | 0.0 | 66.0 | 75.2 | 73.6 | Return Potential |
| 49.9 | (92.5) | 428.8 | 51.0 | 21.1 | 14.2% |
| 11.7 | 156.8 | 29.7 | 19.6 | 16.2 | |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| 8.3 | 6.8 | 4.5 | 7.1 | 8.4 | |
| 2.0 | 2.0 | 1.8 | 1.6 | 1.4 | |
| 19.8 | 1.3 | 6.3 | 8.6 | 9.2 | |
| (43.6) | (46.6) | (49.2) | (53.8) | (58.2) | |

**MAYBE TIME
TO LAUNCH A DIVIDENDS**



Ping An (2318 HK)

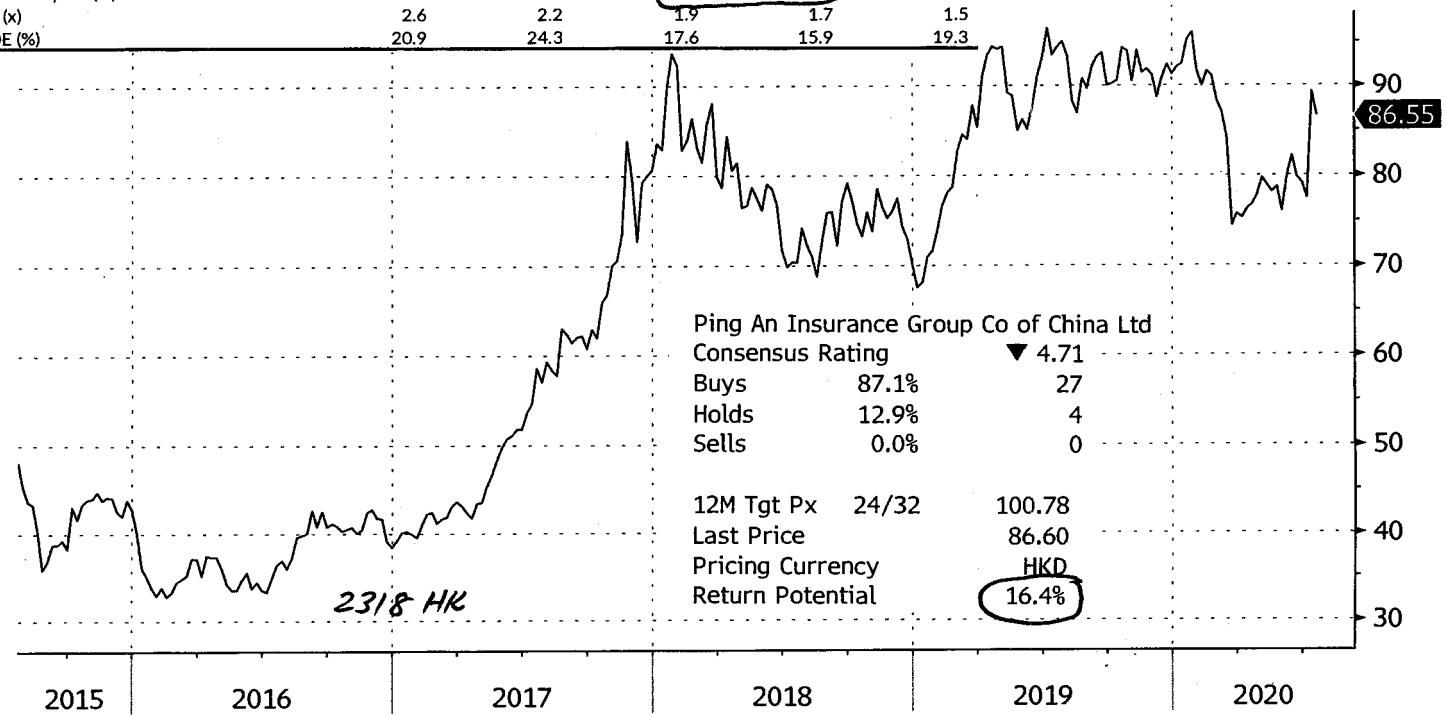
"BLUE CHIP"

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 |



Dairy Farm (DFI SP)

12M forward PE

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

(x)

45.0

40.0

35.0

30.0

25.0

20.0

15.0

Jul 15 Jul 16 Jul 17 Jul 18 Jul 19

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 |

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 |

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| Net debt/equity (%) | 65.6 | 67.8 | 75.2 | 63.2 | 53.1 |

Summary financials

| Year to 31 Dec | 2018A | 2019A | 2020CL | 2021CL | 2022CL |
| --- | --- | --- | --- | --- | --- |

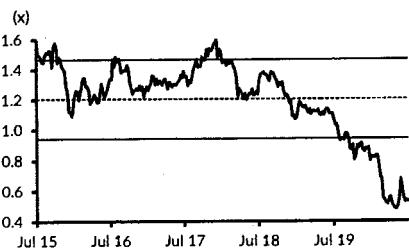
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Kasikornbank PCL (KBANK TB)

Weerapat Wonk-urai

weerapat.wonk.urai@clsa.com
+66 2 257 4642

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 |

2015

2016

2017

2018

2019

2020

Kasikornbank PCL Consensus Rating

| | | |
|-------|-------|----|
| Buys | 55.6% | 15 |
| Holds | 29.6% | 8 |
| Sells | 14.8% | 4 |

12M Tgt Px 24/27

110.31

Last Price 92.00

THB

19.9%

19.9%

KBANK TB

2019

2020

LAST TIME AT THESE PRICES IN 2010

+40% TO TARGET

240

220

200

180

160

140

120

100

80

92.00

Korea Zinc Co Ltd (010130 KS)

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



+20 YEARS OF KEEPING/RAISING DIVIDENDS.

Korea Zinc Co Ltd Consensus Rating

| | | |
|-------|-------|----|
| Buy | 90.5% | 19 |
| Holds | 9.5% | 2 |
| Sells | 0.0% | 0 |

12M Tgt Px 13/22

521923

Last Price 369000

KRW

Return Potential

41.4%

2015

2016

2017

2018

2019

2020

010130 KS

0.55M

0.5M

0.45M

0.4M

0.369M

0.35M

0.3M

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
JAMIAN

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