



# Portfolio Update + Industry Updates

April 15<sup>th</sup>, 2024



# Weekly Meeting Agenda



## 01

### **Portfolio Update**

The Fund Administration team will be giving a brief update about our portfolio.

## 02

### **Industry Updates: Industry Teams**

Our five industry teams will provide industry updates and re-evaluation of current holdings.



# Portfolio & Macro Update

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# Fund Performance



Over the last 3 years, Sigma returned an annualized return of 7,15%; outpacing the Euro 600 but lagging the S&P 500



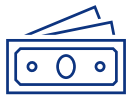
A YTD performance of 12.75%



30 holdings



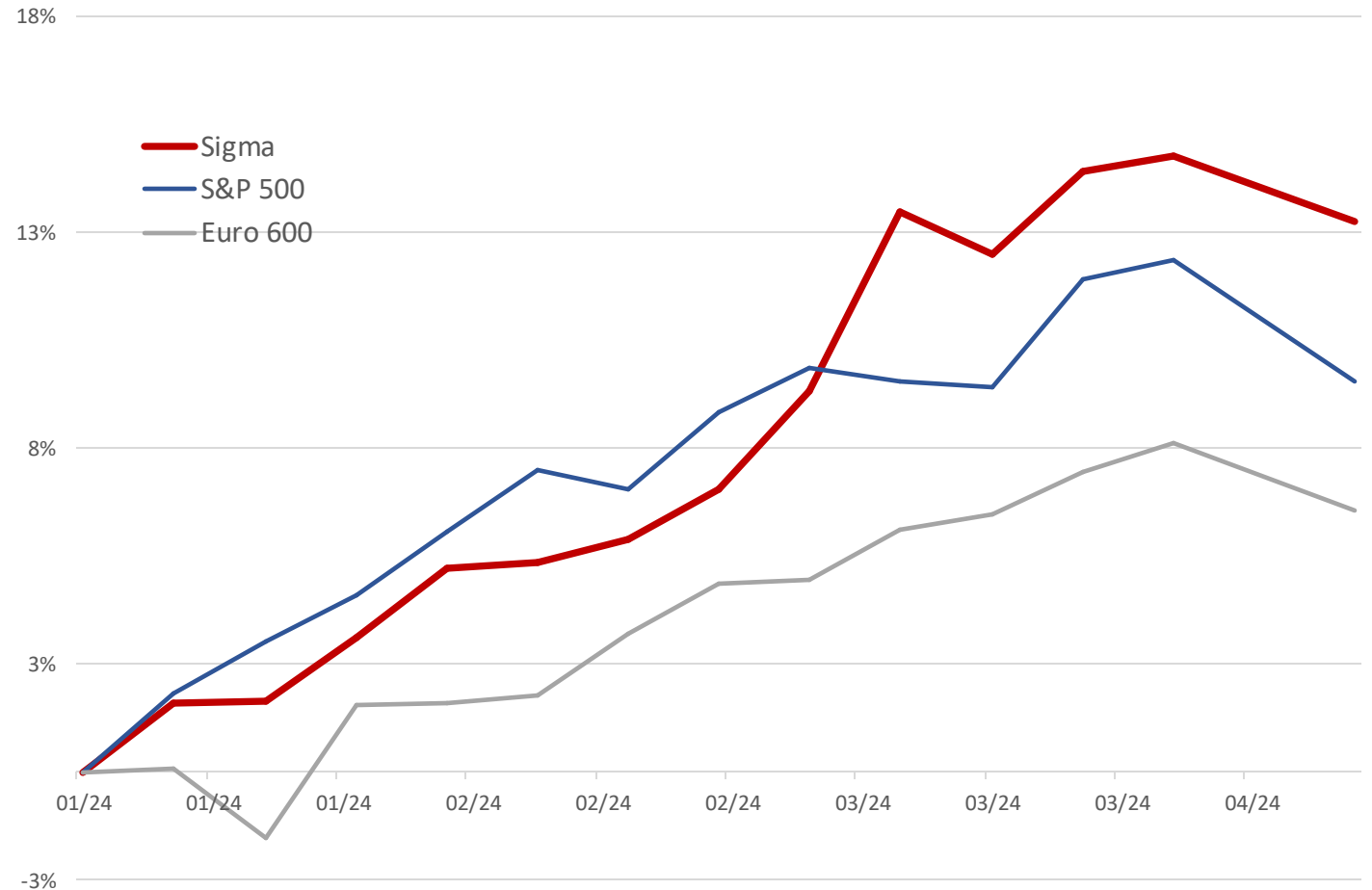
An equity value of €44,804.55



A cash balance of ~ € 1,000..

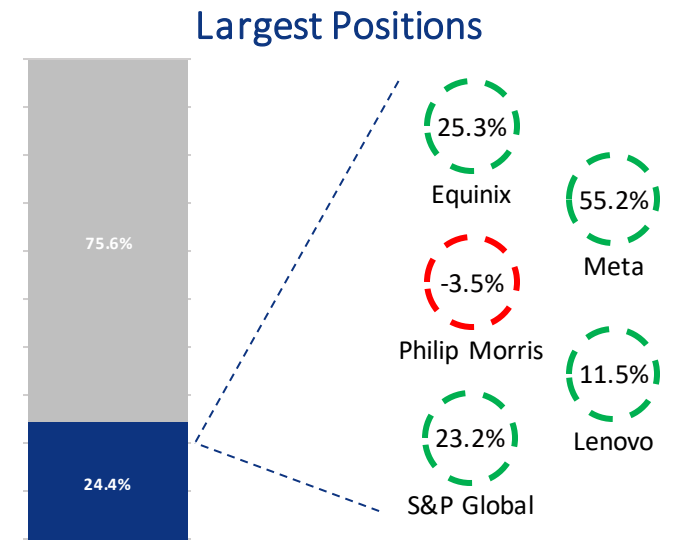
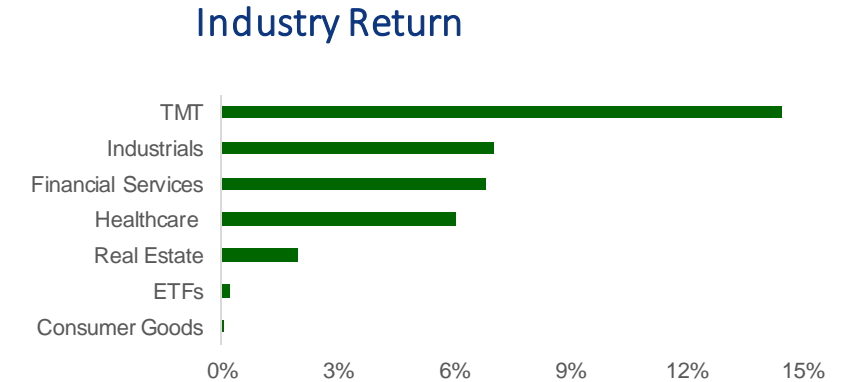
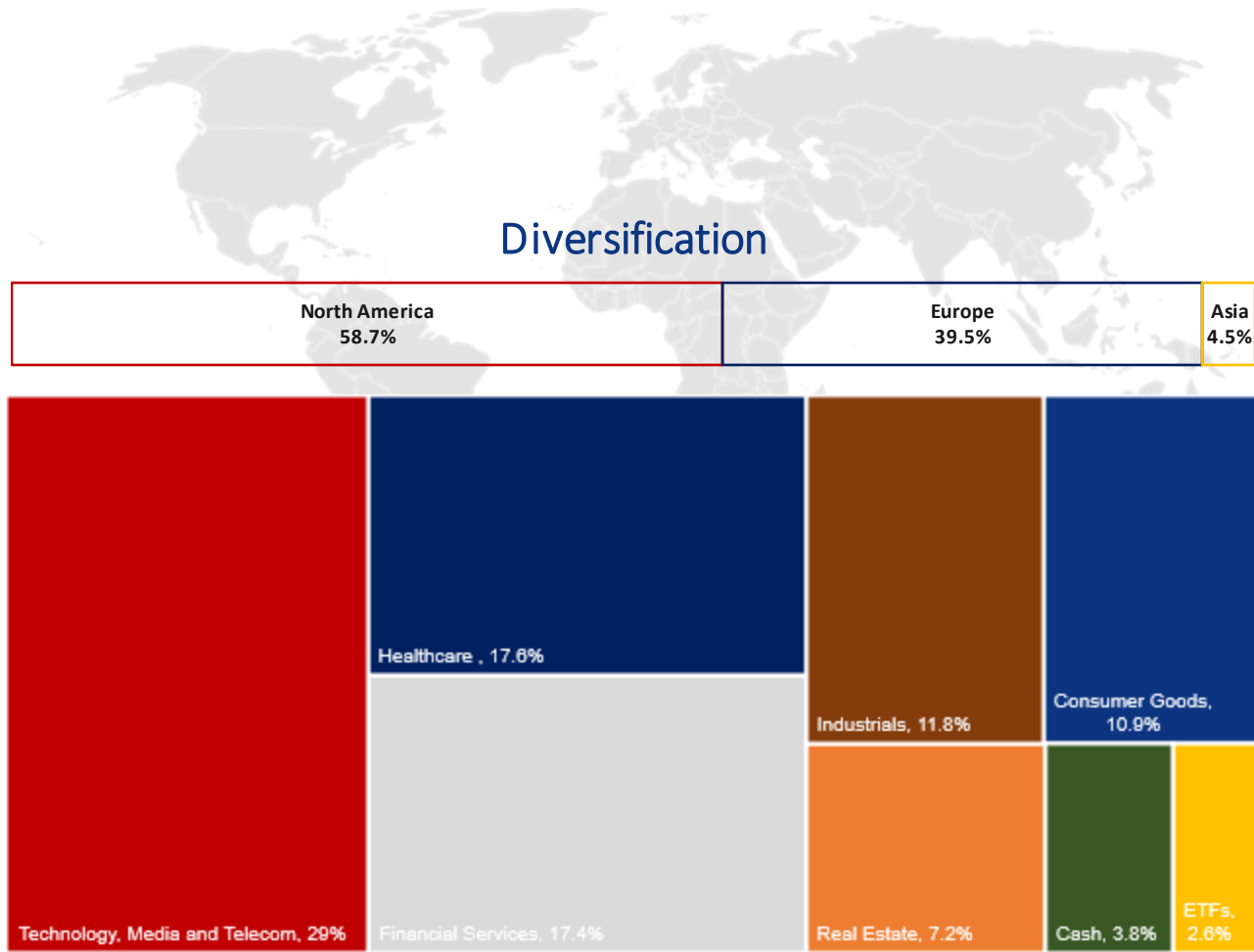


3183.2 shares outstanding at €14.08



# Fund Composition

[one sentence summary and update]



# Macro Outlook



## US Inflation Spikes

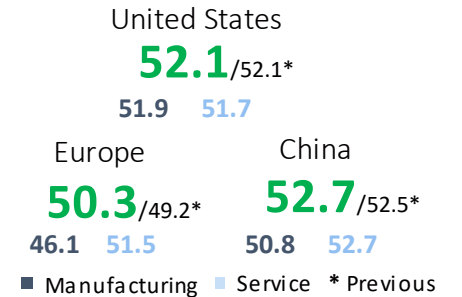
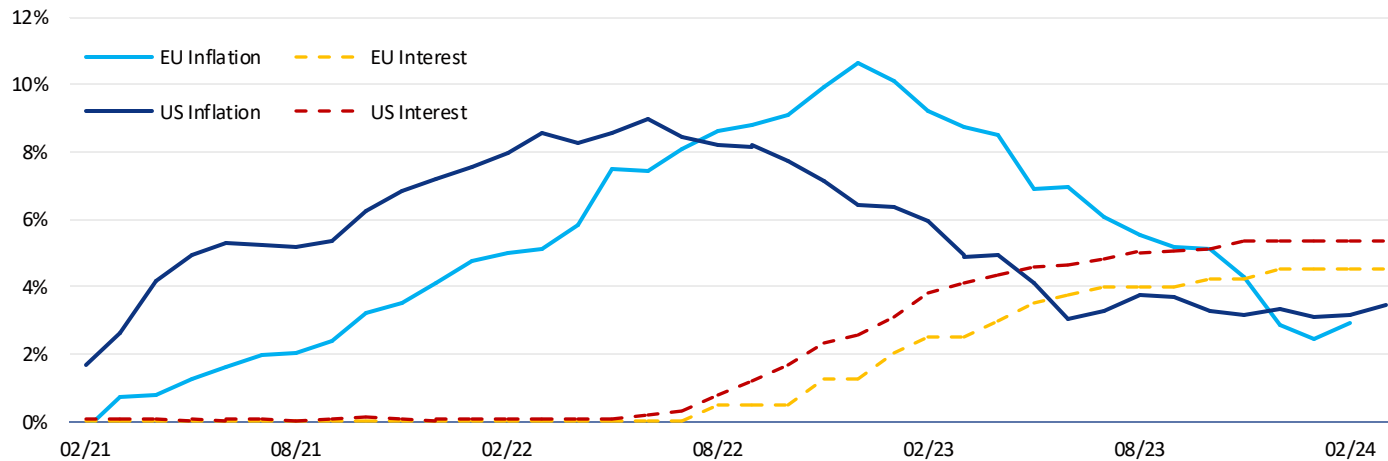
Higher gas and rents keep US inflation elevated, likely delaying Fed rate cuts

We are not Switzerland': ECB rate-setters downplay fallout of hot US inflation

Europe stocks close higher as investors digest hotter-than-expected U.S. inflation data

Stocks sink, yields jump as hot US inflation erodes hopes for rate cuts

Dollar has strongest week since 2022 as investors reverse bets on rate cuts



## Key Topics

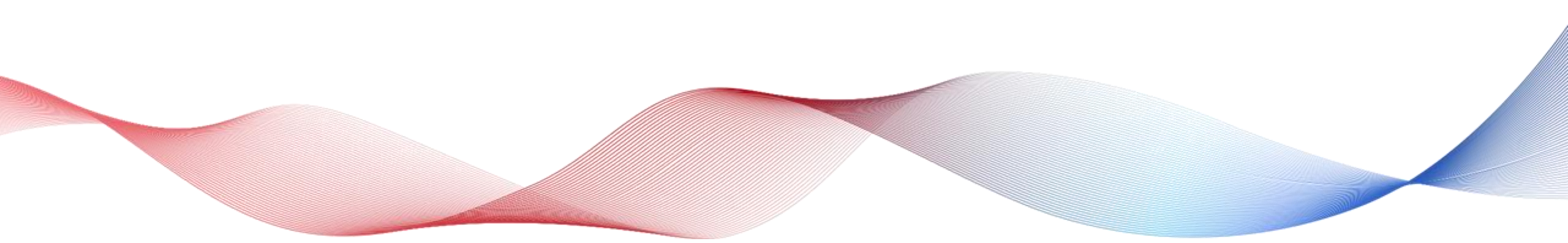
- 1 Rising tensions in the Middle-East
- 2 Commodities rise: Gold & Crude
- 3 US Recession 'Not Off the Table' Yet



# Industry Updates

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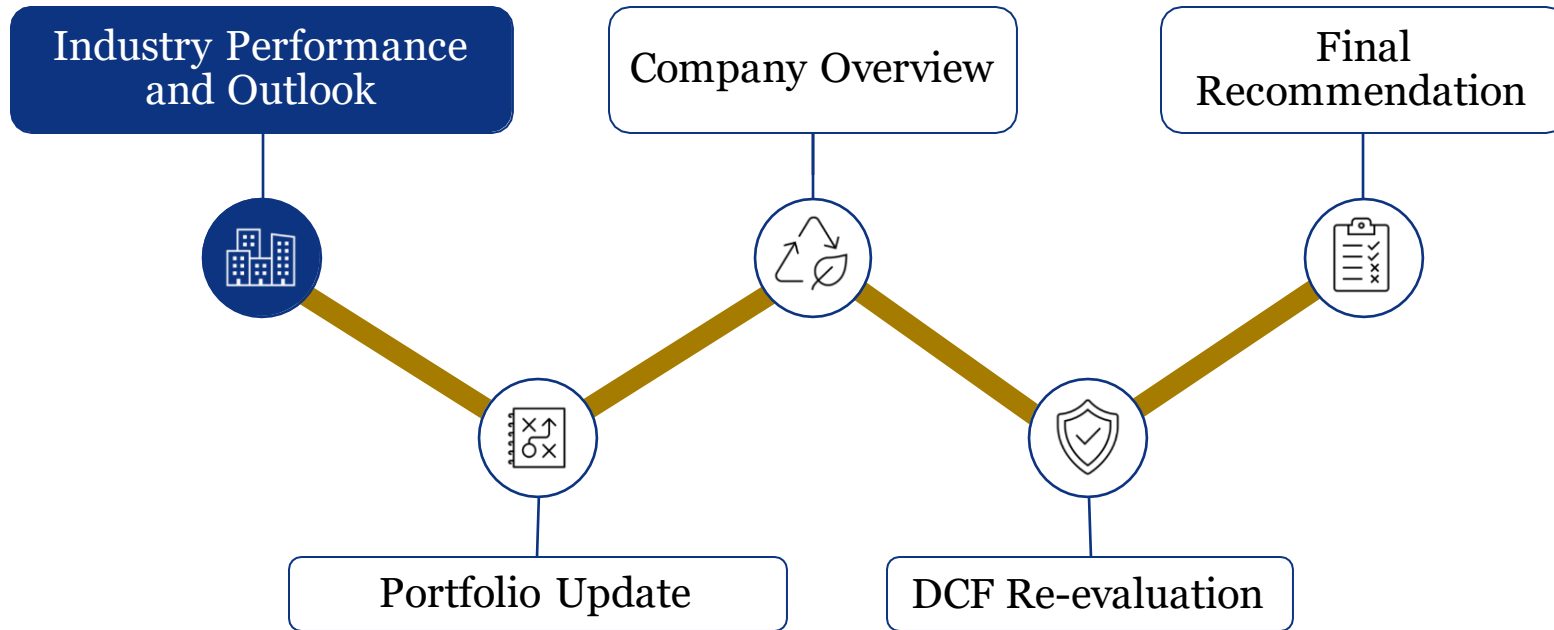


Healthcare

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# Industry Overview



How is the industry performing?

## Healthcare Index

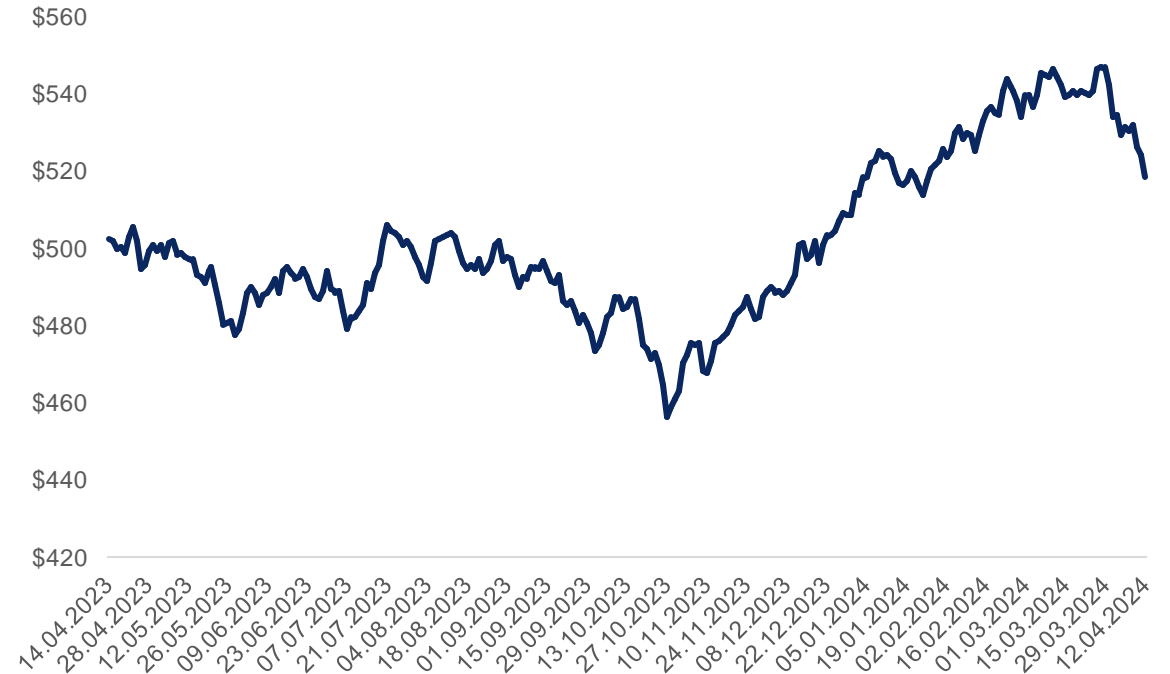
1-Year Return: **1.55%**

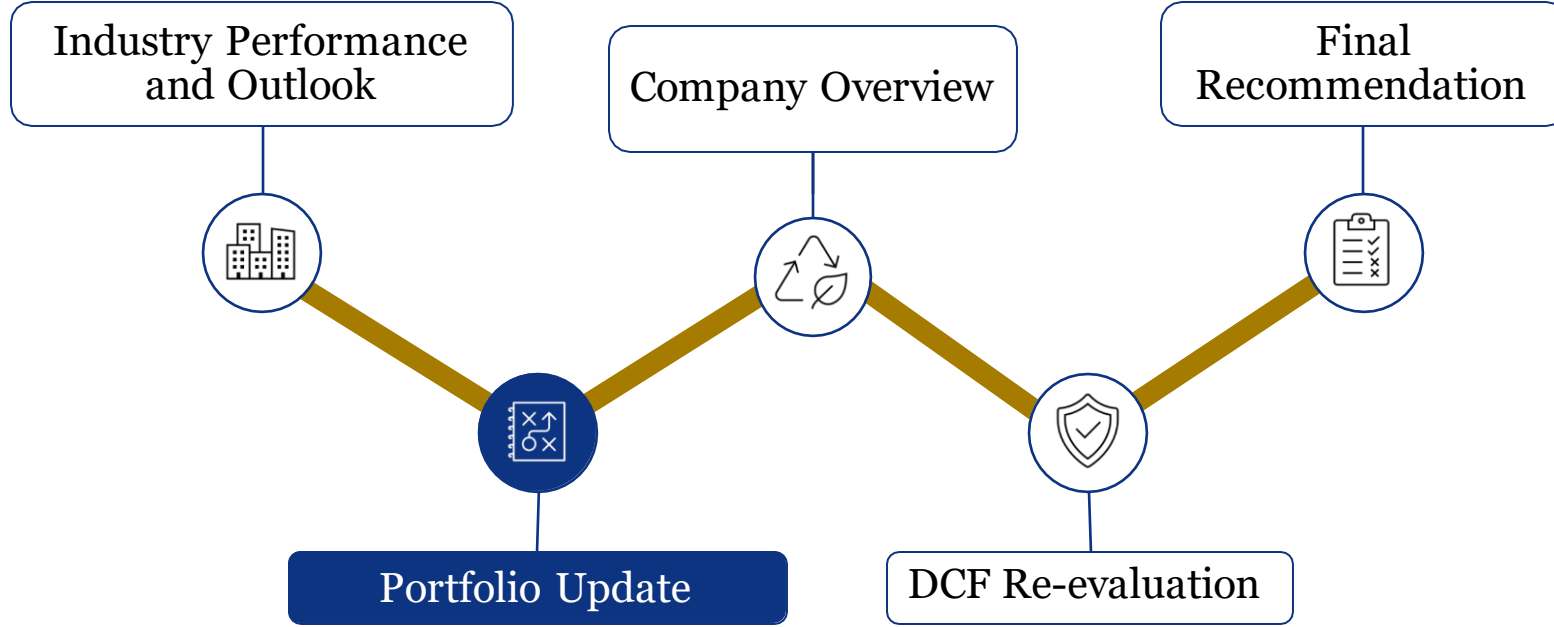
MSCI Healthcare Change: **3.15%**

## Recent Trends

- Sector faces challenges in 2023 amid investor portfolio adjustments for higher interest rates
- Underperforming compared to tech and communication sectors, but dispersion offers alpha opportunities
- GLP-1 drugs' emergence as weight loss treatments boosts Eli Lilly and Novo Nordisk's performance
- COVID-induced revenue surge in 2022 creates difficult year-over-year comparisons for pharmaceutical companies
- Medical device sector sees positive returns due to easing supply constraints, but NVO's trial results trigger sell-off

MSCI World Health Care Index – 1y Return





# Portfolio Overview

Four stocks showing strongly positive/negative YTD return



- Deviation from target price **-68%**

UNITEDHEALTH GROUP®

- Deviation from target price **-15%**

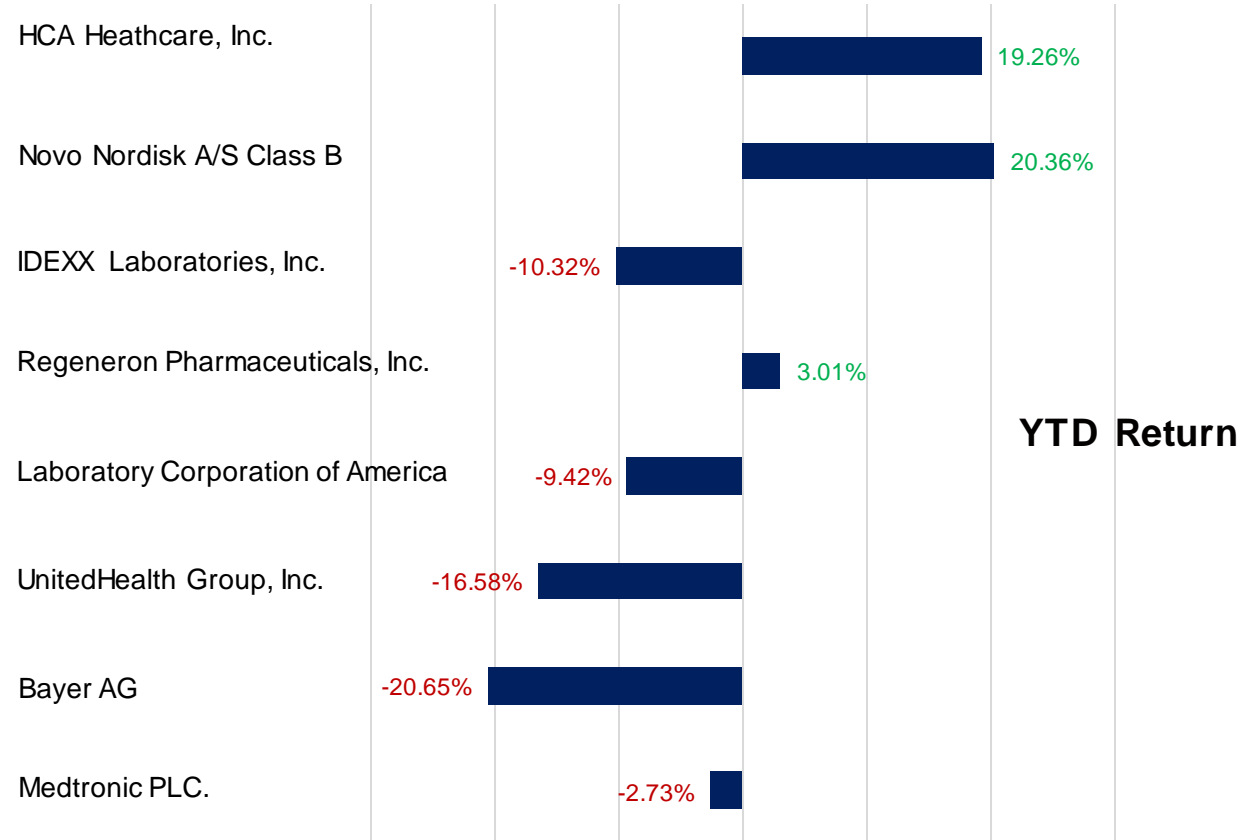


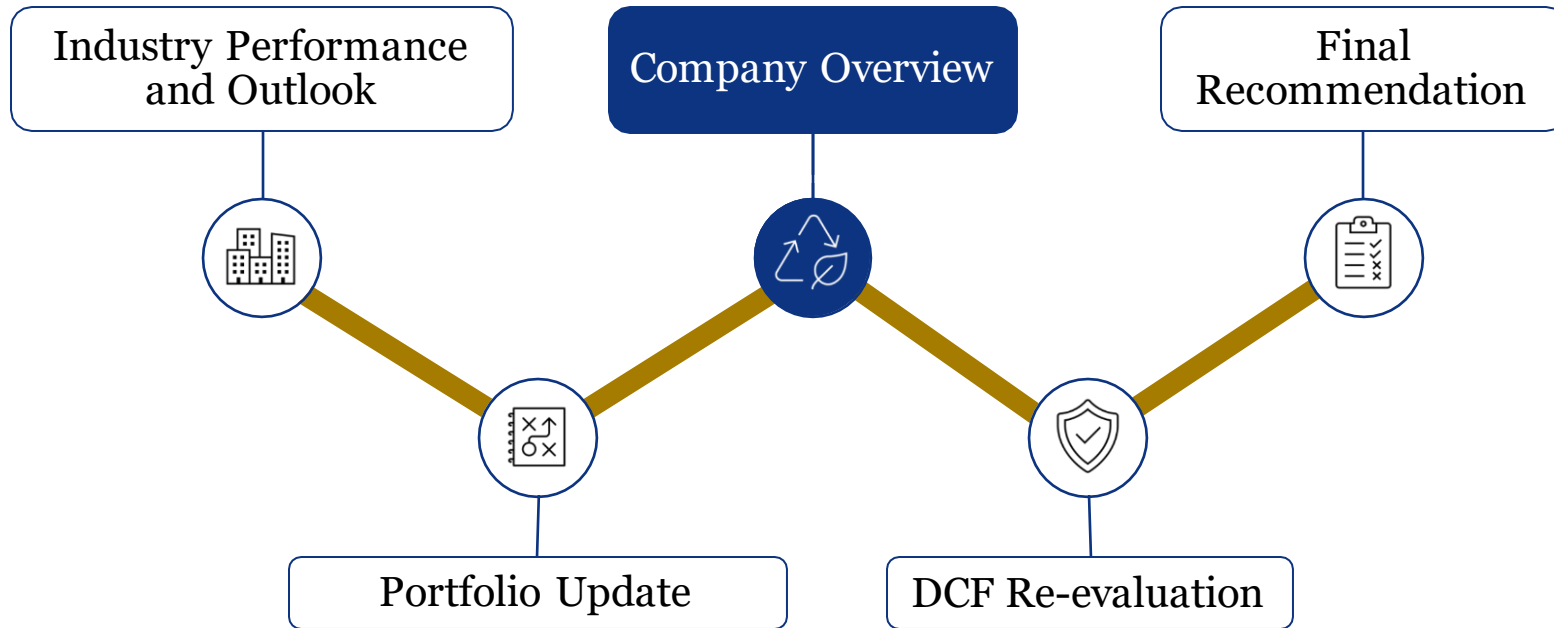
- Deviation from target price **10%**



- Deviation from target price **31%**

**1.86% Gain YTD – 6.46% Gain Overall**





# Company Overview

Recent significant loss of value caused by political decisions, announced investigation of the DoP and of a cyber attack



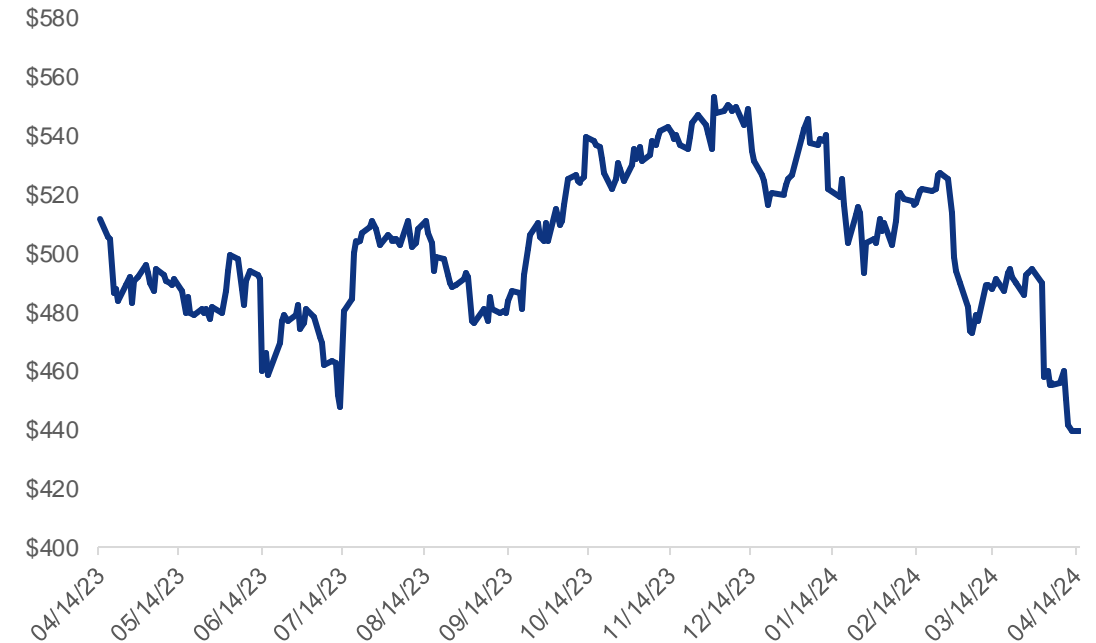
## Profile of UnitedHealth Group

- U.S.-American company offering holistic healthcare solutions, from financing to care coordination
- Share price has fallen by almost 15% in the last three months
- YTD-Performance: **-16.58%**

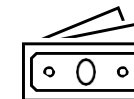
## News

- Shares of **U.S. health insurers fell** after **Biden's administration didn't boost payments for private Medicare plans** as much as investors' expectations
- Insiders sold shares before Department of Justice probe became public
- Disclosed in February that a cyber threat actor breached part of the unit's information technology network – **paid out more than \$3 billion** to affected providers

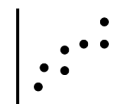
UnitedHealth Group Stock Price – 1 yr



Market Cap  
\$ 404.91bn



P/E Ratio  
18.42



PEG Ratio  
1.2

# Company Overview

HCA Healthcare shows great performance caused by robust core business and stock buybacks



## Profile of HCA Healthcare

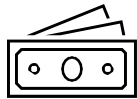
- US-based healthcare leader with 180+ hospitals offering comprehensive acute care across various medical specialties
- Share price has risen by almost 36% in the last six months
- YTD-Performance: **19.26%**

## News

- Robust **core business growth** reinforces the positive impact of HCA Healthcare's stock buybacks.



Market Cap  
\$ 85.38 bn

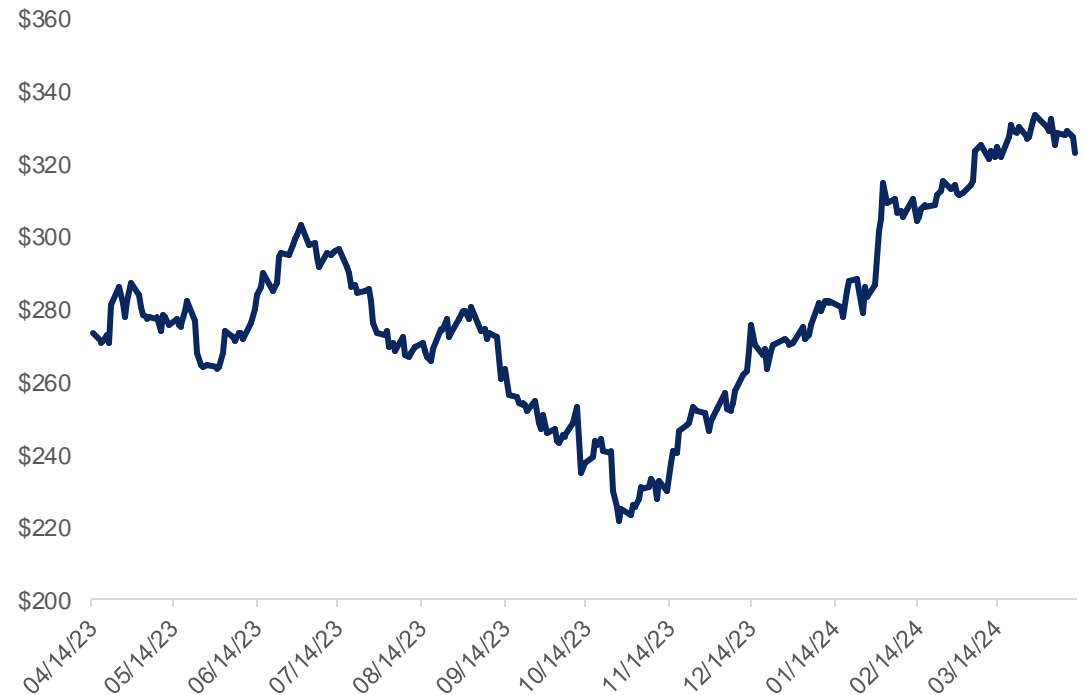


P/E Ratio  
17.01



PEG Ratio  
1.62

HCA Healthcare Inc (HCA) Stock Price – 1 yr





**Novo Nordisk  
Re-evaluation**





# Company Overview

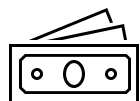


Best undisputed performer in the Fund thanks to weigh-losing drugs' impressive success, but supply constraints affect revenue growth

- Danish company specialized in **Diabetes and Obesity Care** (93% of revenue), supplying approx. 50% of global insulin
- 36% CER revenue growth in 2023 thanks to **weight-losing drugs**, recently also approved to treat heart diseases by FDA
- **Constraint of supply** is hindering higher revenue growth for Wegovy and Ozempic, currently produced by third parties
- Initial enhancements from the over **\$6 billion investment in manufacturing capacity** are not expected until 2026
- Recent acquisition of Cardior Pharma secures a promising heart failure drug, a strategic **expansion in the heart diseases** field



Market Cap  
\$559.67 bn



P/E Ratio  
46.2

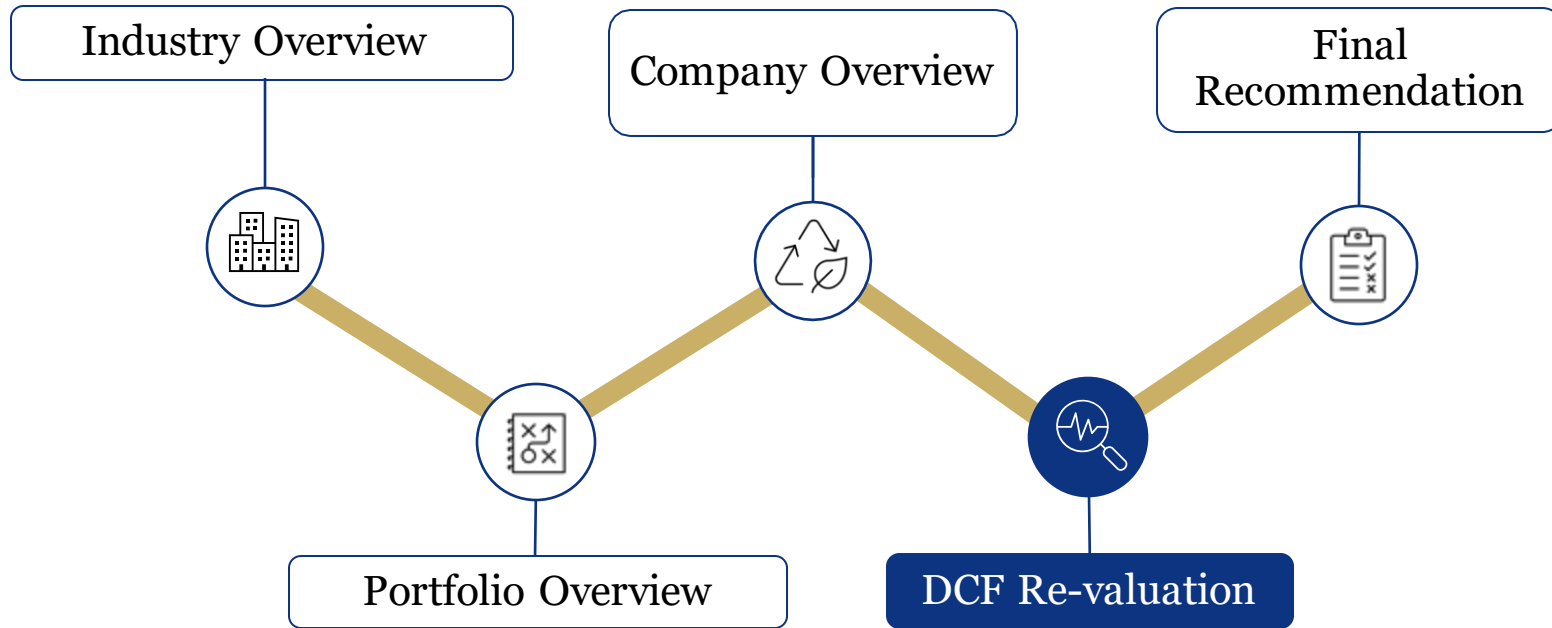


PEG Ratio  
2.4

## Novo Nordisk's Stock Price



Return of **102.73%** in the Portfolio since May 2023



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# Free Cash Flow Projection



New estimates for Revenue Growth justified by better demand servicing and more optimistic outlook on research pipeline

DCF		2020	2021	2022	2023	2024	2025	2026	2027
Revenue % growth	Conservative				26,748 7%	28,621 7%	30,624 7%	32,768 7%	35,062 7
	Base	19,413 6.1%	22,378 15.3%	24,998 11.7%	29,998 20%	35,592 19%	41,059 15%	46,807 14%	50,936 9%
	Optimistic				30,748 25%	37,820 23%	45,384 20%	53,553 18%	60,515 13%

## April 2024 Estimates

Revenue % growth	Conservative				40,774 21%	47,502 16.5%	54,628 15%	60,637 11%	
	Base	19,413 6.1%	22,378 15.3%	24,998 11.7%	33,698 34.8%	41,617 23.5%	49,319 18.5%	57,700 17%	64,912 12.5%
	Optimistic				42,122 25%	50,758 20.5%	60,401 19%	69,160 14.5%	

\*All figures in millions of USD

# Free Cash Flow Projection



Stronger Capital Expenditures justified by robust production facility and expertise acquisition policy

DCF		2020	2021	2022	2023	2024	2025	2026	2027
CAPEX % sales	Conservative				3,214 10%	3,813 10%	4,400 10%	5,055 10%	3,506 10%
	Base	3,377 17.4%	1,174 5.2%	2,084 8.3%	2,732 8.5%	3,241 8.5%	3,740 8.5%	4,297 8.5%	4,660 8.5%
	Optimistic				2,250 7%	2,669 7%	3,080 7%	3,539 7%	4,236 7%

## April 2024 Estimates

CAPEX % sales	Conservative				6,320 15.5%	6,413 13.5%	7,375 13.5%	6,973 11.5%	
	Base	3,377 17.4%	1,174 5.2%	2,084 8.3%	5,628 16.7%	6,034 14.5%	6,135 12.5%	7,212 12.5%	6,816 10.5%
	Optimistic				5,687 13.5%	5,837 11.5%	6,946 11.5%	6,570 9.5%	

\*All figures in millions of USD



# WACC Estimation

Despite lower beta estimate, higher cost of equity justifies more conservative WACC

## April 2024 Estimates

Debt	3,490	4,002*
% Debt	1.0%	0.7%
Cost of Debt	3.7%	3%
Tax Rate	19.3%	20.3%

Equity Value	340.888	559,672*
% Equity	99%	99.3%
Cost of Equity	6.7%	7.04%
Risk Free Rate	4.4%	4.56%
Beta	0.45	0.4
Market Risk Premium	5%	6.2%

## Key Considerations

- Lower Cost of debt compared to 2023 estimate
- Considerably low 5y beta against the S&P500, but adjusted upward based on recent trends
- Significantly higher avg market risk premium
- Decrease in % debt reduces the offsetting position of lower cost of debt against higher cost of equity

## Cost of Capital

2023 Estimate	April 2024 Estimate
6.65%	<b>7.00%</b>

\*figures in millions of USD

# Share Price



Less divergence between the cases assumptions results in relative closeness of each implied share price

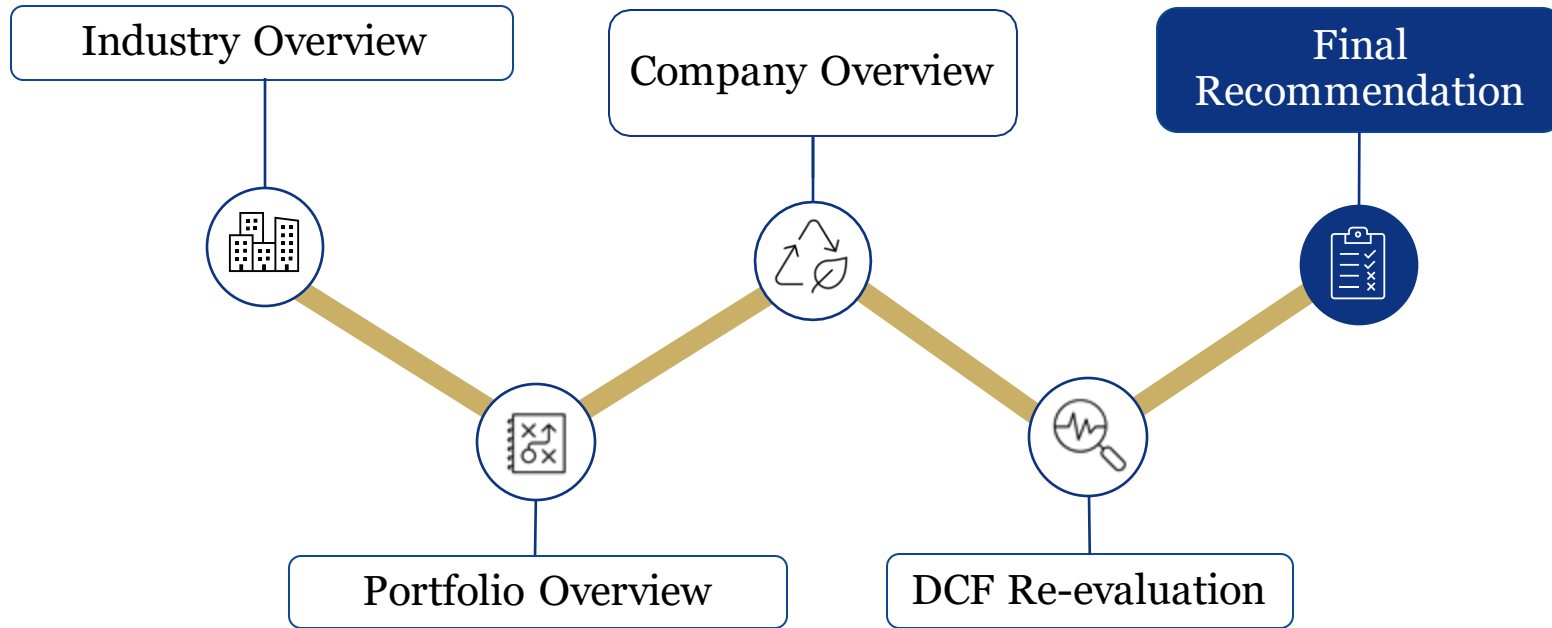
PV FCF	2020	2021	2022	2023	2024	2025	2026	2027
2023 Estimates	4,691 -28.8%	8,624 45.6%	8,302 -5.1%	9,017 9.9%	10,031 11.3%	10,850 8.16%	11,582 6.8%	11,968 3.3%
Current Estimates	4,691 -28.8%	8,624 45.6%	8,302 -5.1%	8,715 6.2%	11,434 31.2%	13,609 19%	15,012 10.3%	17,209 14.6%

DCF	Conservative	Base	Optimistic
WACC	7.3%	7%	6.5%
TGR	2%	2.5%	2.8%
Implied share price	85.37 -31%	121.14 -3%	\$175.88 +41%

## Model Assumptions

- Revenue growth for each case is defined by the ability to meet demand + competitiveness in target markets
- Enduring capacity constraints & willingness to extend product portfolio justify above-average CAPEX until 2029

\*All figures in millions of USD



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# Final Recommendation



Partially selling Novo Nordisk allows to capture gains, while holding a stake capitalizes on potential upside thanks to solid fundamentals

## Novo Nordisk's Summary

### Business Outlook

- Steady revenue growth in diabetes, obesity and cardiovascular segments, despite supply constraint
- Solid financials securing constant dividends and diversification

### Risks

- Health insurances' limits on Wegovy and Ozempic's coverage
- Eli Lilly's increasing competition in weight-losing drugs

## Final Recommendation

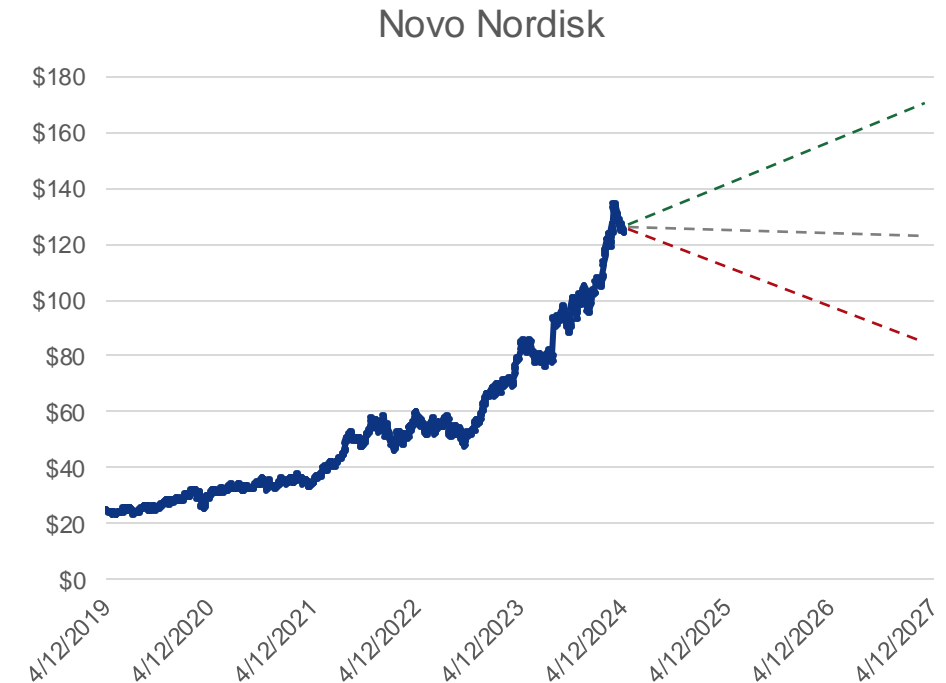
### Novo Nordisk

- **Partially Sell** to capture gains and free up some cash to invest in new undervalued stocks
- **Partially Hold** to capitalize on potential optimistic developments, dividends and diversification thanks to extremely solid fundamentals

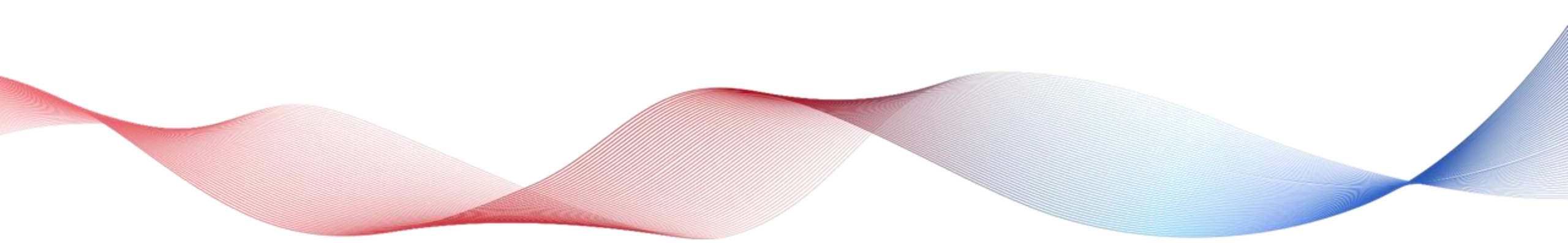
### UnitedHealth Group

- Monitor closely due to potential bad outlook

## Novo Nordisk's Price Forecast



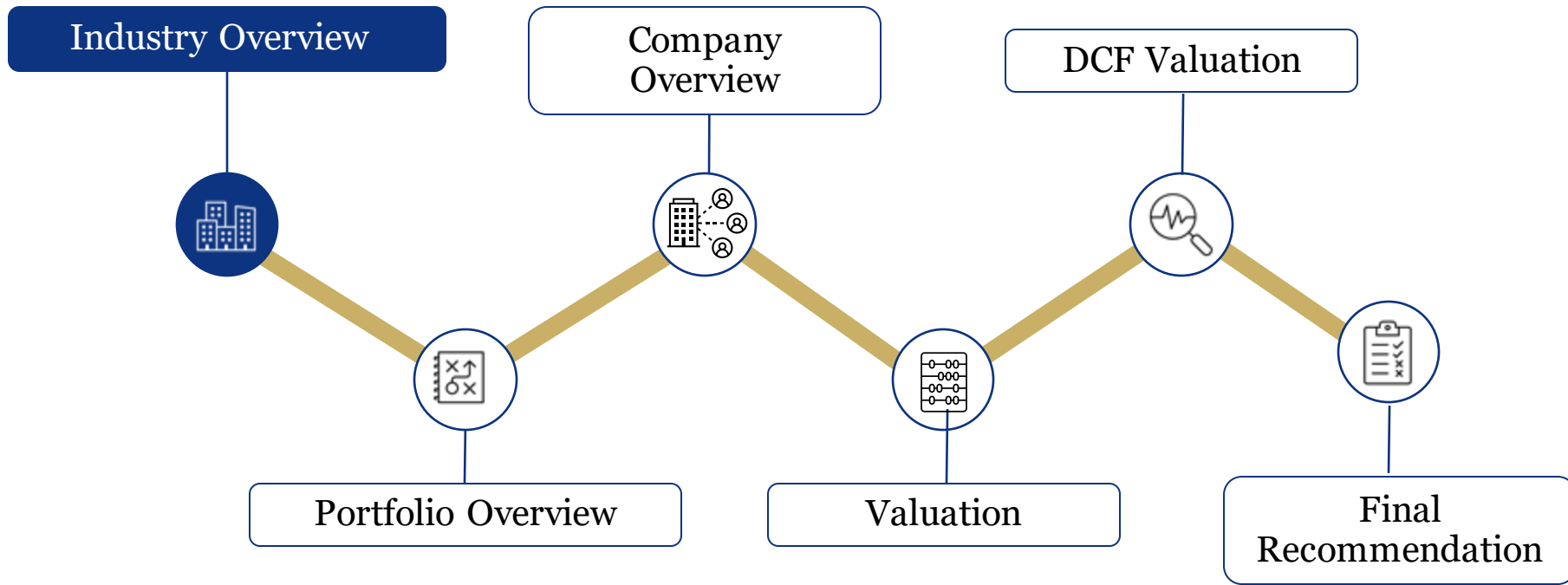




## Financial Services & Real Estate

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# Industry Overview

Financial Services



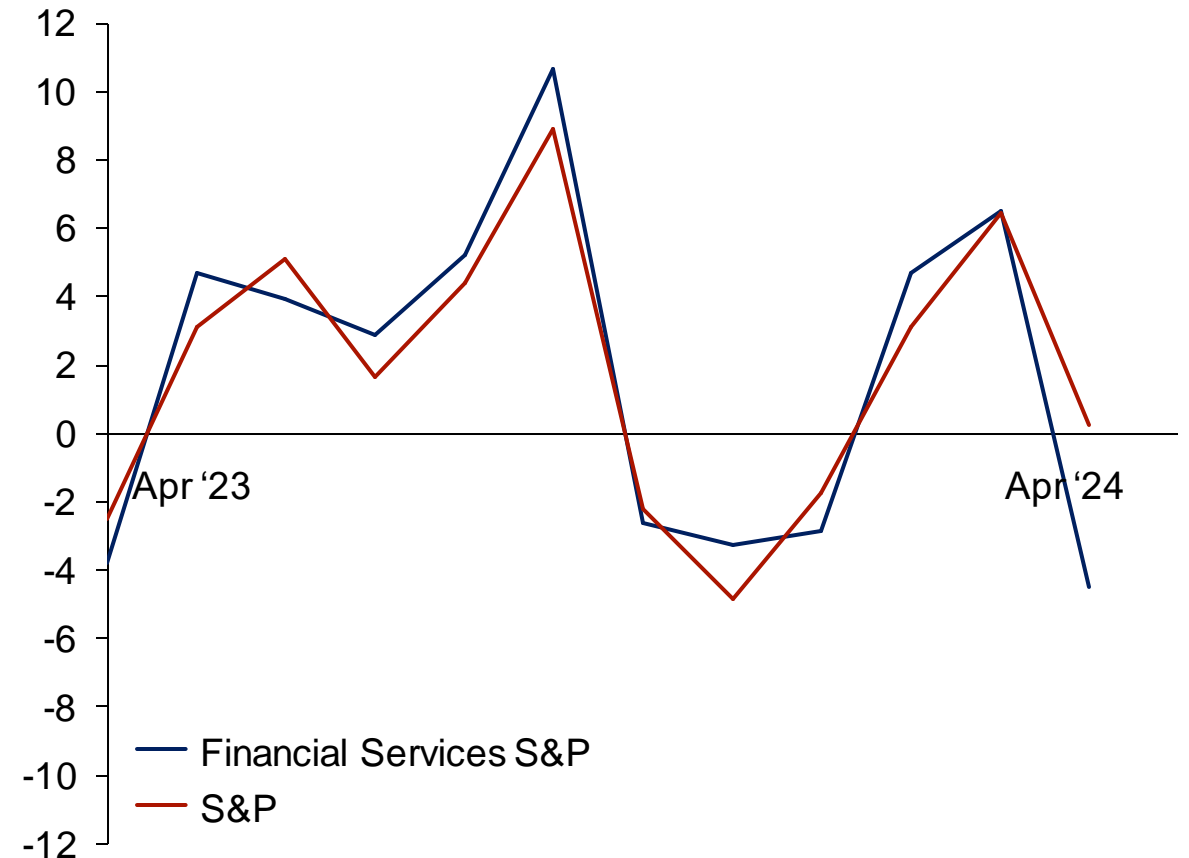
## Market

- Technological turbulence: Generative AI, Fraud and Cyber risk.
- Evolution of customer behavior towards cashless
- Key priority of ESG outcome for investors (Greenwashing)
- Rise of crypto-assets regulation: EU, US & UK
- Adjustments to bank solvency due to 2023 bank failures (SVB, CS, FR)

## Our Exposures and Strategies:

- **Exposure:** Technological & Regulatory disruptions, Interest rates
- **Strategy:** **HOLD** strong market performers during the upcoming expansion
- **Sell:** Divest/Close out positions which have reached a fair value and re-invest in undervalued firms

## S&P 500 vs S&P FS



# Industry Overview

Real Estate



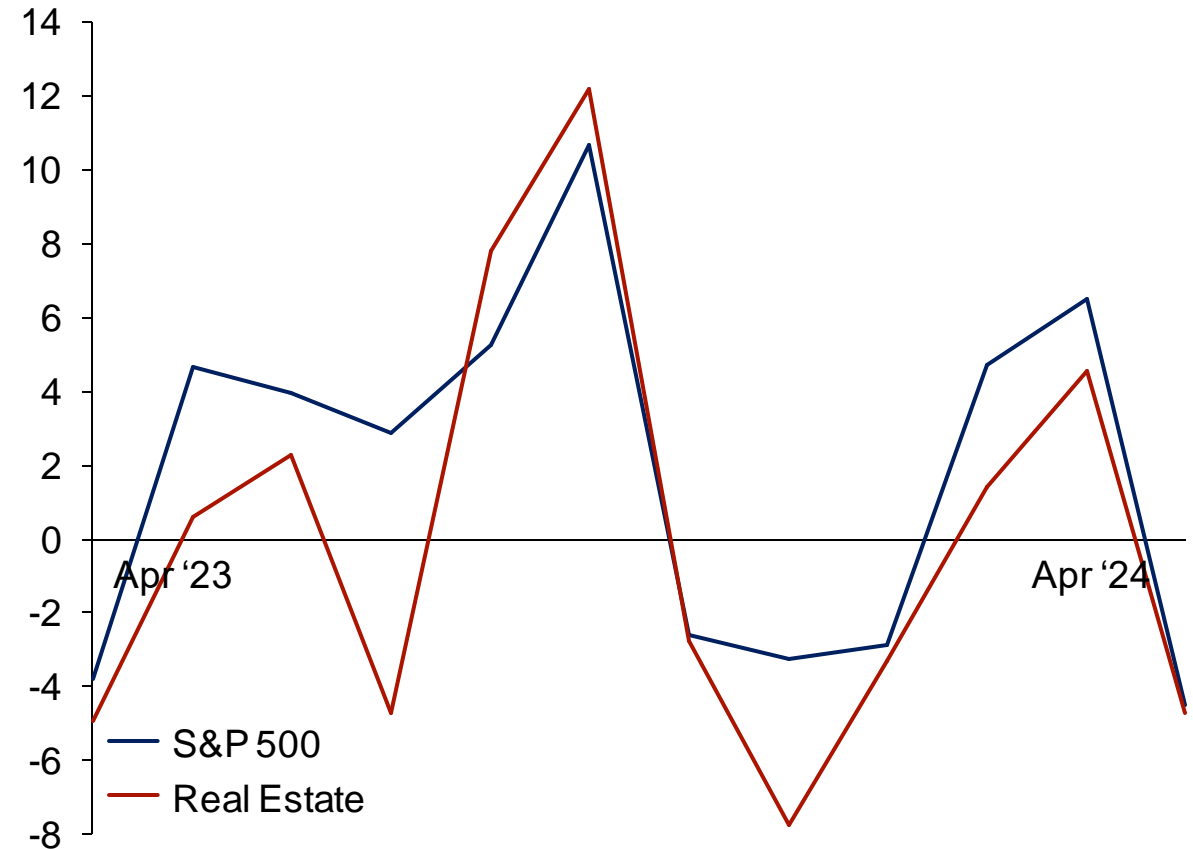
## Key Points

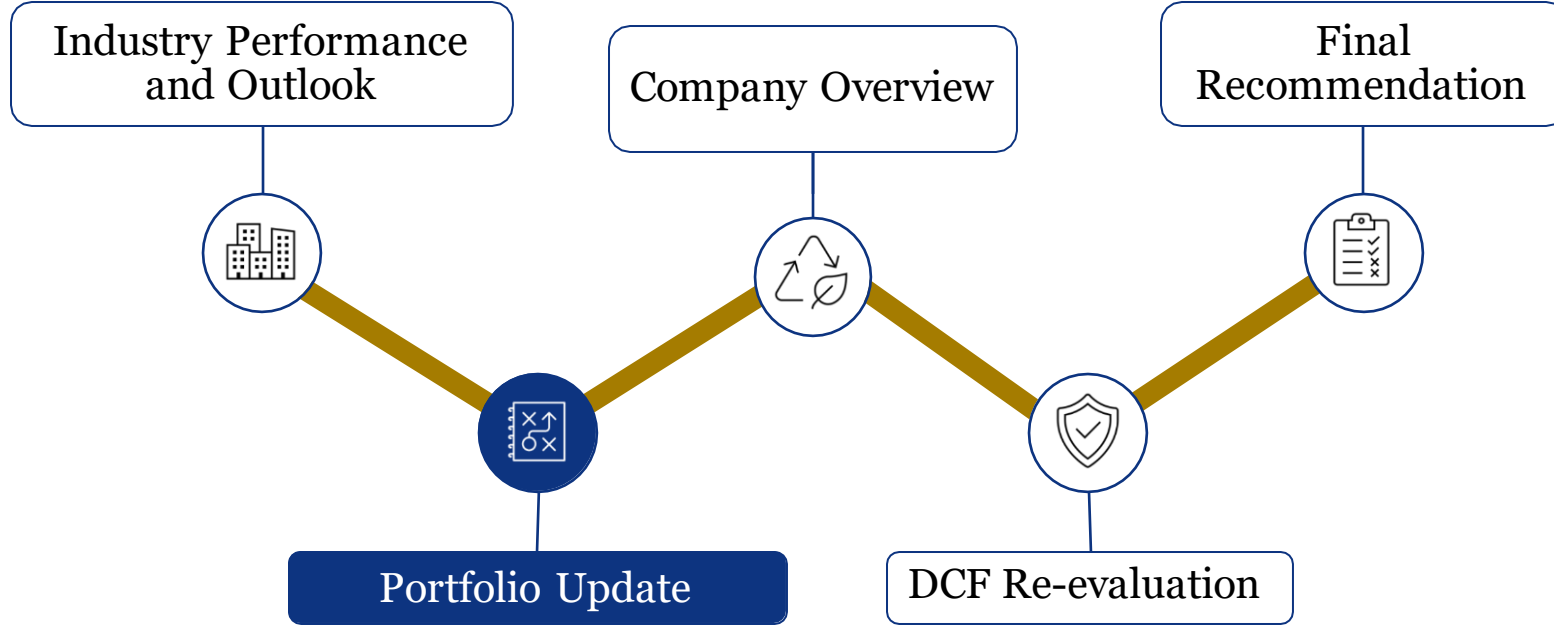
- Interest rate uncertainty and the rise of inflation caused a decline in investments
- Jerome Powell announced interest rate cuts « at some point this year »
- Prices need to be readjusted according to current market conditions
- 2024 is projected to be a weak growth year, but stronger than 2023
- Market leaders are now looking for stronger ESG agendas

## Our Exposures and Strategies:

- **Exposure:** Inflation and Interest rates
- **Strategy:** Revalue the current stock and keep the exposure in the RE sector.
- **Sell:** No selling should be involved but rather a revaluation and increase in diversity in our portfolio

## S&P 500 vs S&P 500 RE





# News Overview Financial Services



- Total return: **84,08%**
- Last meeting change: **15,34%**
- Acquisition of Italian insurance company
- **Buy**



- Total return: **71,69%**
- Last meeting change: **21,35%**
- KKR launch a 3bn takeover offer for German renewable energy company
- **Buy**



- Total return: **31,22%**
- Last meeting change: **15,96%**
- Radical changes in portfolio: 29bn investment into Chevron and Occidental Petroleum
- **Buy**



- Total return: **19,87%**
- Last meeting change: **4,98%**
- Report reveals unexpectedly strong financials with revenue of 5.6bn
- **Hold**



- Total return: **21,18%**
- Last meeting change: **-3,15%**
- **Buy**



- Total return: **42,98%**
- Last meeting change: **5,01%**
- LSE will launch Bitcoin and Ethereum ETN
- **Buy**

# News Overview Real Estate



EQUINIX

- Total return: **27,56%**
- Last meeting change: **-0,56%**
- Equinix advances with liquid cooling LatAm datacenters
- **Buy**



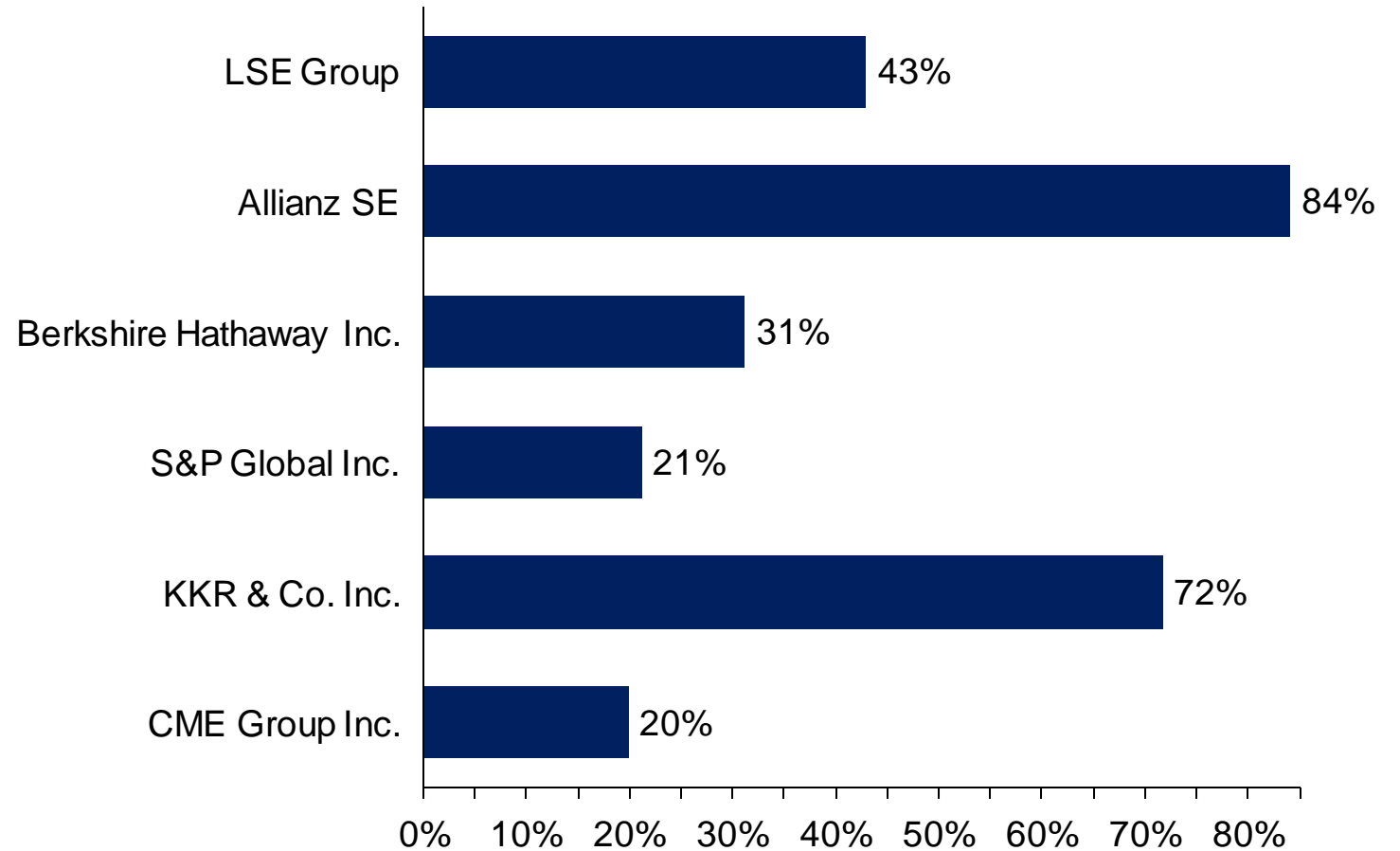
- Total return: **-19,53%**
- Last meeting change: **-12,05%**
- Healthcare REIT invests 75m in first quarter
- **Hold**



# Portfolio Overview Financial Services

Total: 8% Weekly: 1,45%

- Only positive performances in the financial sector
- Spread of returns indicate well managed diversification within the sector
- Allianz and KKR with highest returns



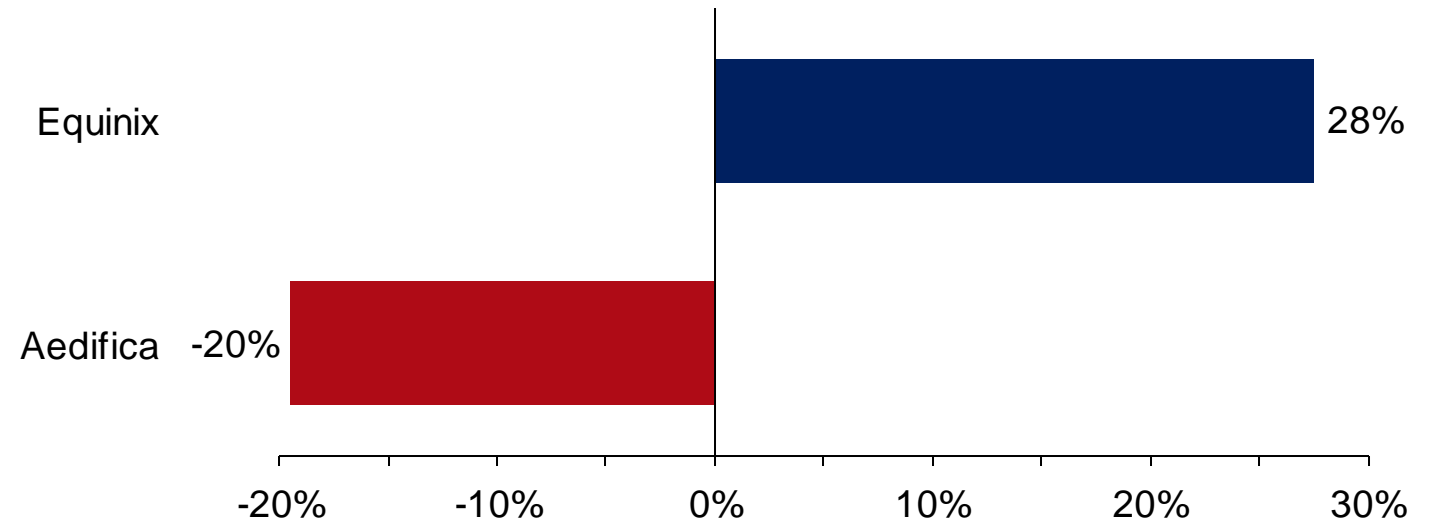


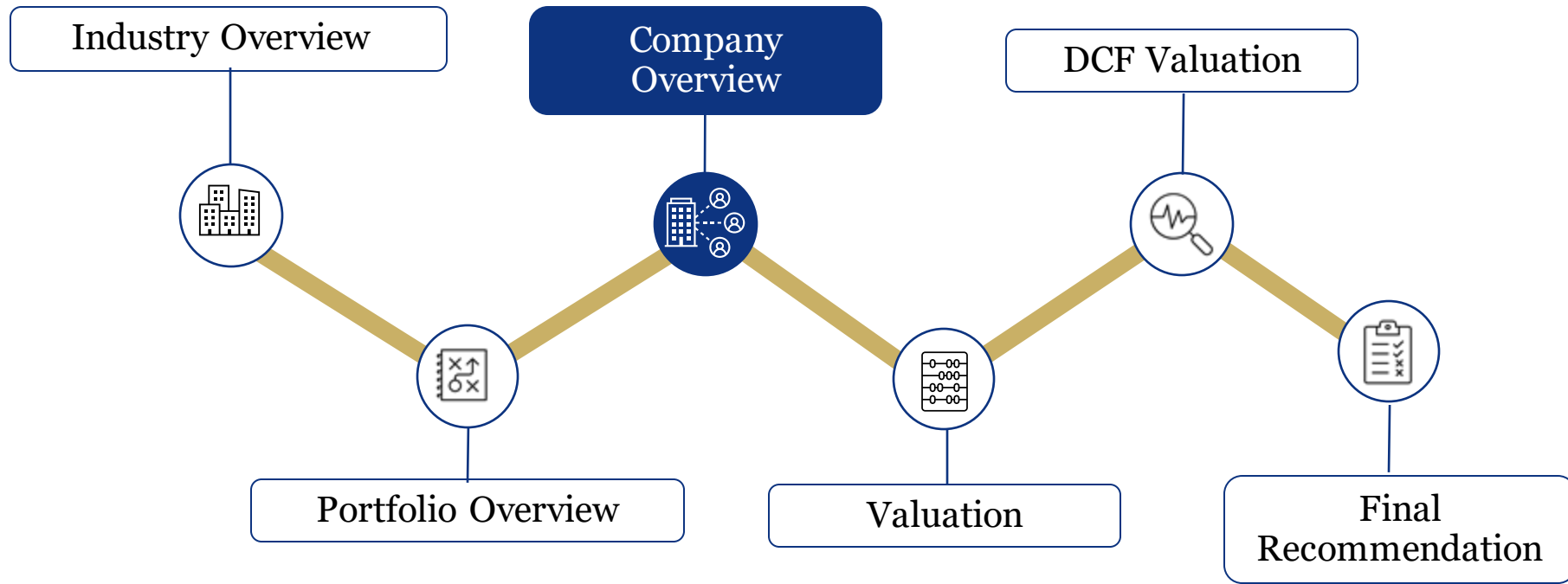
# Portfolio Overview Real Estate



Total: 0,91% Weekly: -0,29%

- Equinix has demonstrated strong performance in the long term while also sustaining positive growth in the short term
- Continuous negative trend for Aedifica
- Low real estate exposure





**BERKSHIRE HATHAWAY INC.**

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# Company Overview



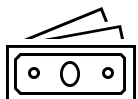
"Value Creation Through Diversified Holdings"

## Profile of Berkshire Hathaway

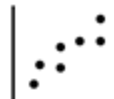
- Diversified conglomerate
- Major operations include: Insurance, energy, service and retailing, transportation and investment portfolio
- Headquartered in Omaha, U.S.
- Recognized for its leadership under CEO Warren Buffett, known for value investing and financial foresight
- Target price: **\$ 400,00**, Current price: **\$ 403,26**



Market Cap  
\$ 871.3 B



P/E Ratio  
9.11



52 Week Beta  
0.62

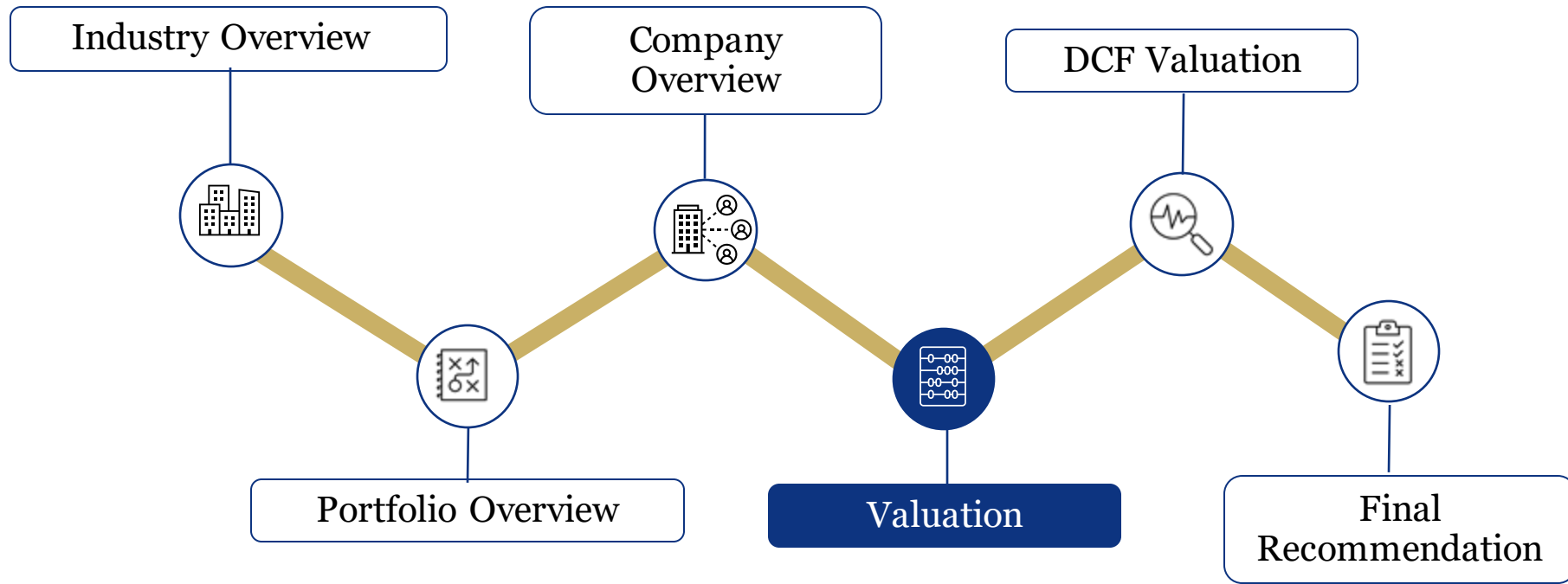


Dividend Yield  
3.44%

## Share Price Development



Source: Yahoo Finance





# Considerations to take into account

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## Bull Case

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- Strong leadership from Warren Buffett (GOAT)
- Diversified portfolio that provides a natural hedge against sector-specific risks
- Robust financial health – extremely large cash reserves can be deployed anytime

## Bear Case

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- Charlie Munger (dead) and Warren Buffett's eventual departure due to age
- Large size will make it increasingly harder to make room for growth
- Underperformance in bull markets - lack of exposure in technology besides Apple investment

# Valuation



		Historical period					Projection period			
DCF		2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenue % growth	Conservative						4%	4%	2%	1%
	Base	3%	-4%	12%	9%	21%	5%	4%	3%	2%
	Optimistic						6%	5%	4%	3%

# Valuation



		Historical period					Projection period			
DCF		2019	2020	2021	2022	2023	2024	2025	2026	2027
EBIT % margin	Conservative						6%	8%	8%	8%
	Base	11%	6%	12%	12%	12%	8%	9%	9%	9%
	Optimistic						10%	11%	11%	11%





# WACC Estimation

Debt	Debt	128
	% Debt	12,8%
	Cost of Debt	4,4%
	Tax Rate	21,0%
Equity	Market Cap	871
	Capital Structure	87,2%
	Cost of Equity	7,9%
	Risk Free Rate	4,52
	Beta	0,62
	Market Risk Premium	4,5%

## Key Considerations

- WACC in line with analyst expectations
- Probable cuts in interest rates towards the second half of 2024 will lead to a reduction of the WACC

**WACC**

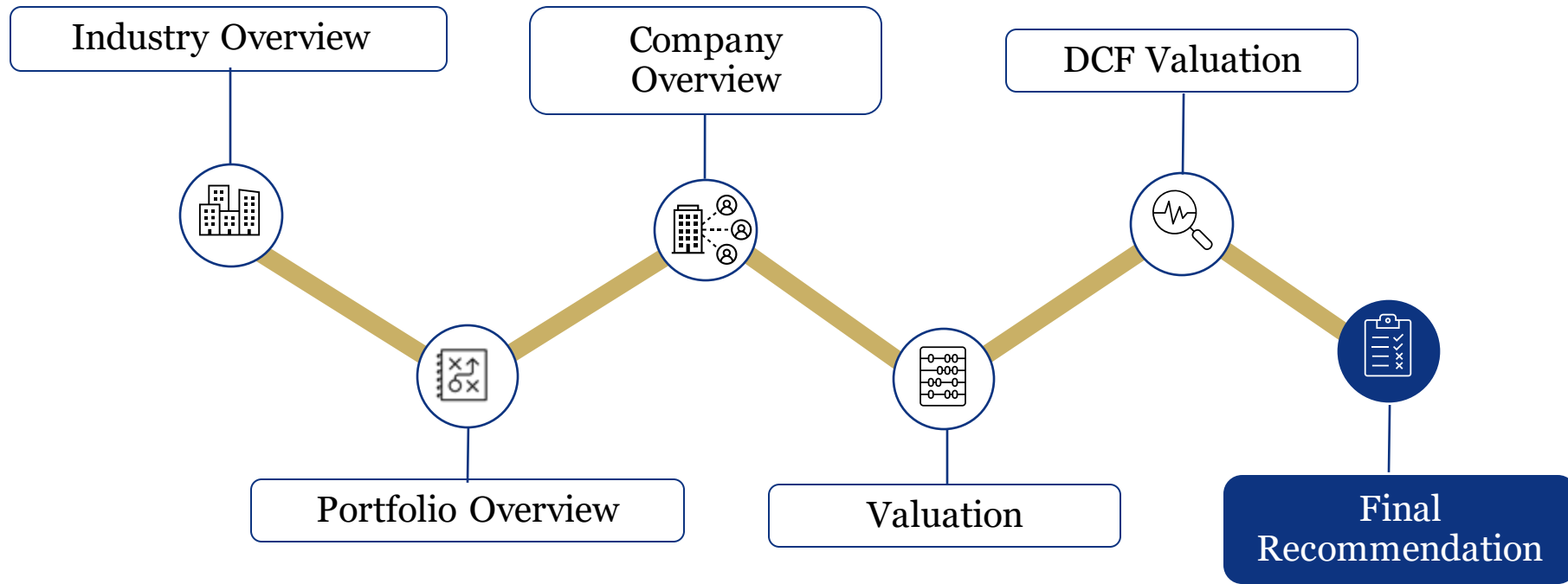
**7.33%**



# Share Price

DCF	Conservative	Base	Optimistic
WACC	7,8%	7,3%	6,8%
TGR	1,5%	2,0%	2,5%
Implied Share Price	\$ 378,22	\$ 415,07	\$ 435,85
Upside	-6,21%	2,93%	10,35%

**Current share price  
\$ 403,26**





# Final Recommendation

## Summary

### Bull

- Strong leadership
- Diversified portfolio
- Large cash reserves

### Bear

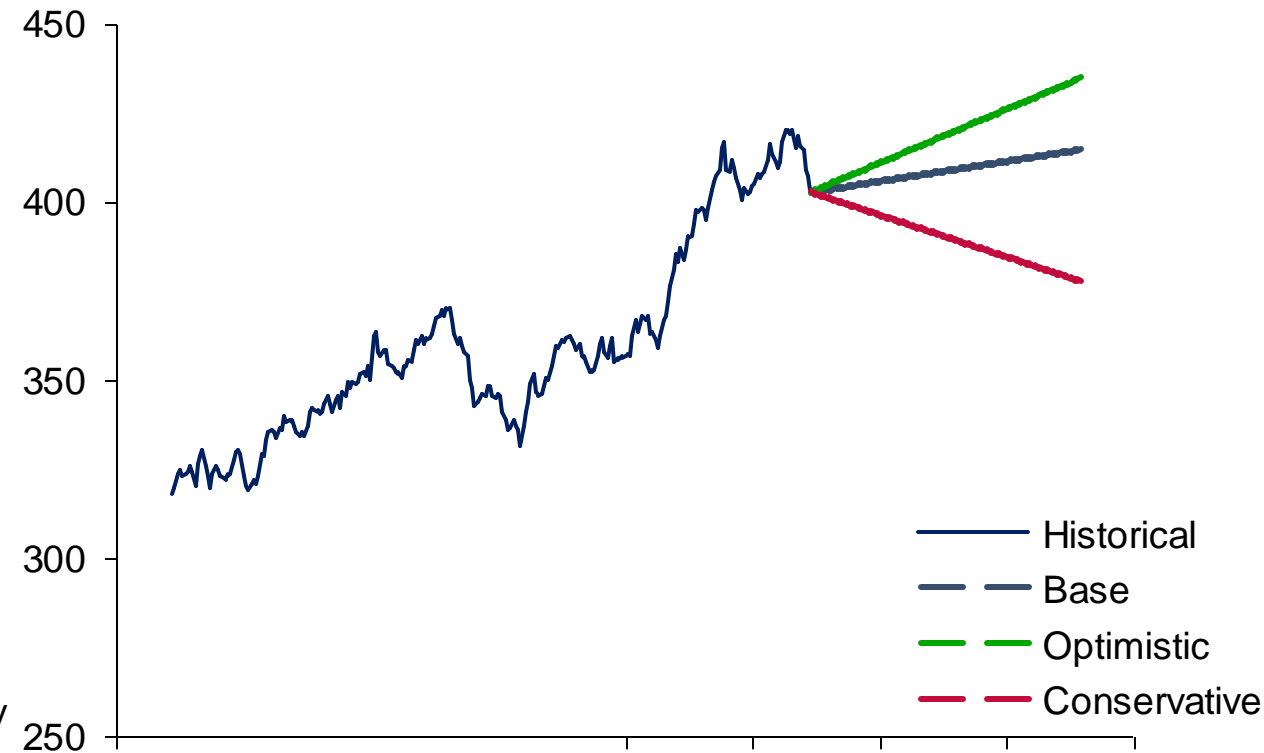
- Slower growth due to firm size
- Departure of Warren Buffett
- Underperformance in bull markets

## Final Recommendation:

We recommend a **partial divestment**

- **Outlook:** Adjust the target price
- **Hold:** Robust company with a bit upside
- **Sell:** Target price exceeded + To mitigate the risks + overall strategy regarding balance of financial services and real estate

## Price Forecast

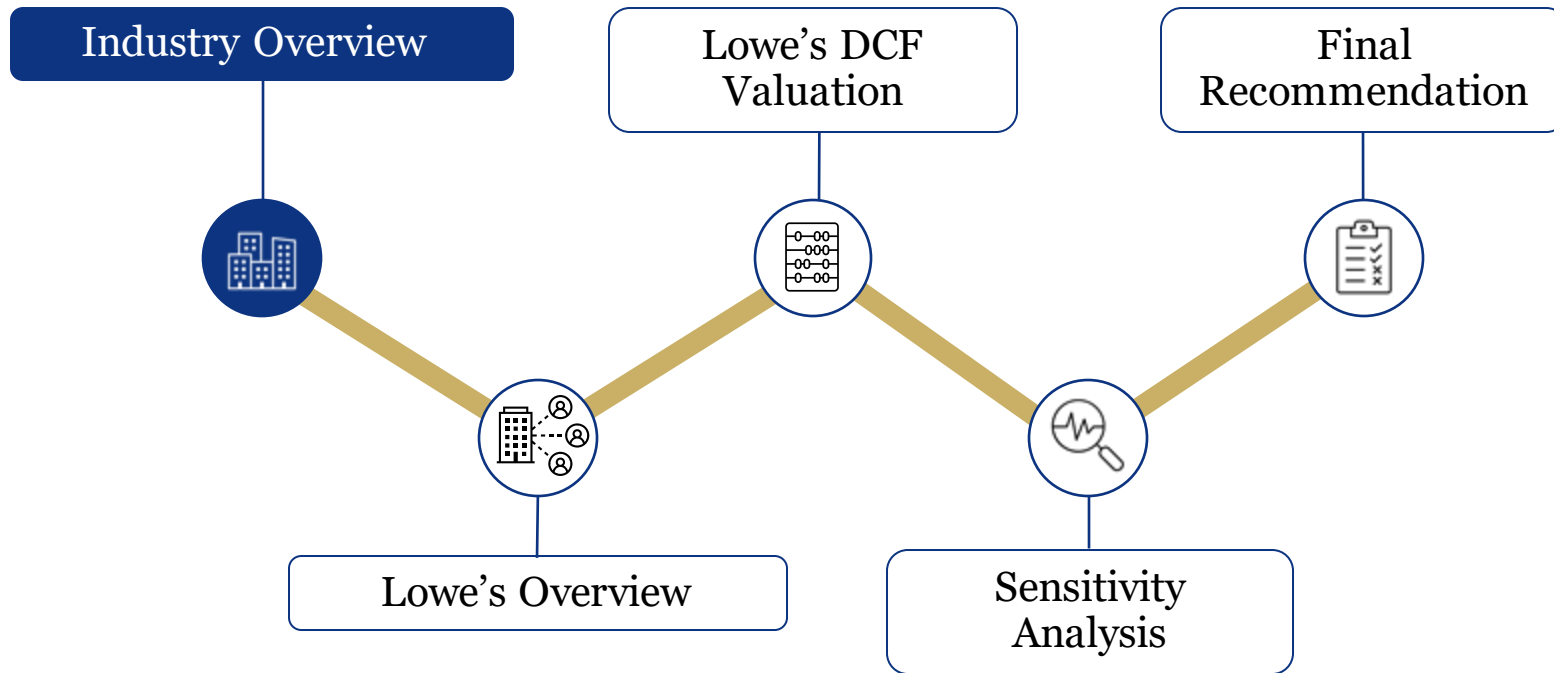




Consumer Goods

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# Industry Overview



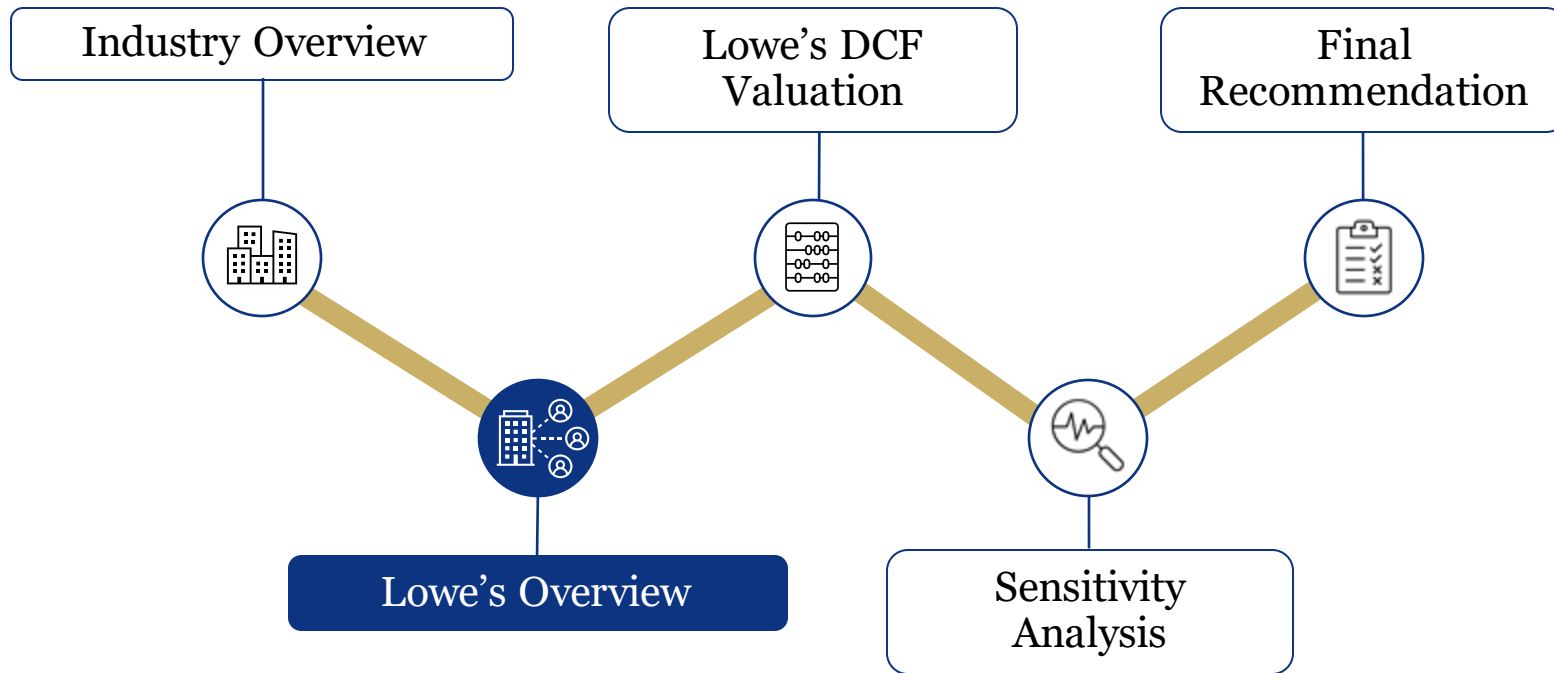
2024 is expected to be a difficult year for the industry

## Industry Considerations:

- 2023: Revenue remained stable as losses in volumes were compensated by **higher prices** ( - 17% volumes compared to 2021).
- 2024: Demand recovery process through **lower pricing** (e.g. Walmart).
- M&A activities remain low due to high cost of capital.
- Focus on operational efficiency (e.g. AI).
- 8.5% outperformance of CG Index YTD.

## Dow Jones U.S Consumer Goods Index YTD:







# Company Overview



Lowes's Fundamentals, Current Trends, and Performance Since Acquisition

## Profile:

- **Second largest** home improvement retailer NAM.
- Sells a wide assortment of **building materials and appliances**.
- **95% of Revenue from the US**.

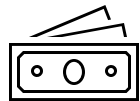
## State of Affairs:

- Currently an upside of **5.5%**
- Recent publication of 2023 Q4 Report & 2024 Outlook.
- Declaration of Cash Dividend.



Market Cap

\$ 134.7 bn



P/E Ratio

18.84 → 17.82



Beta  
(5Y monthly)

1.05 → 1.12



Dividend Yield

2.3% → 1.87%

## Lowes's Performance since Buy-in:



# General Perceptions

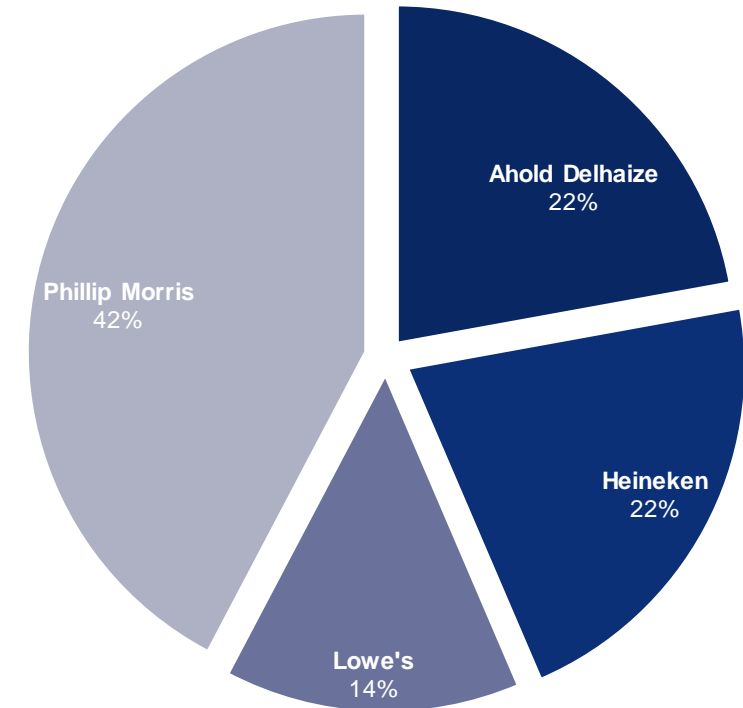


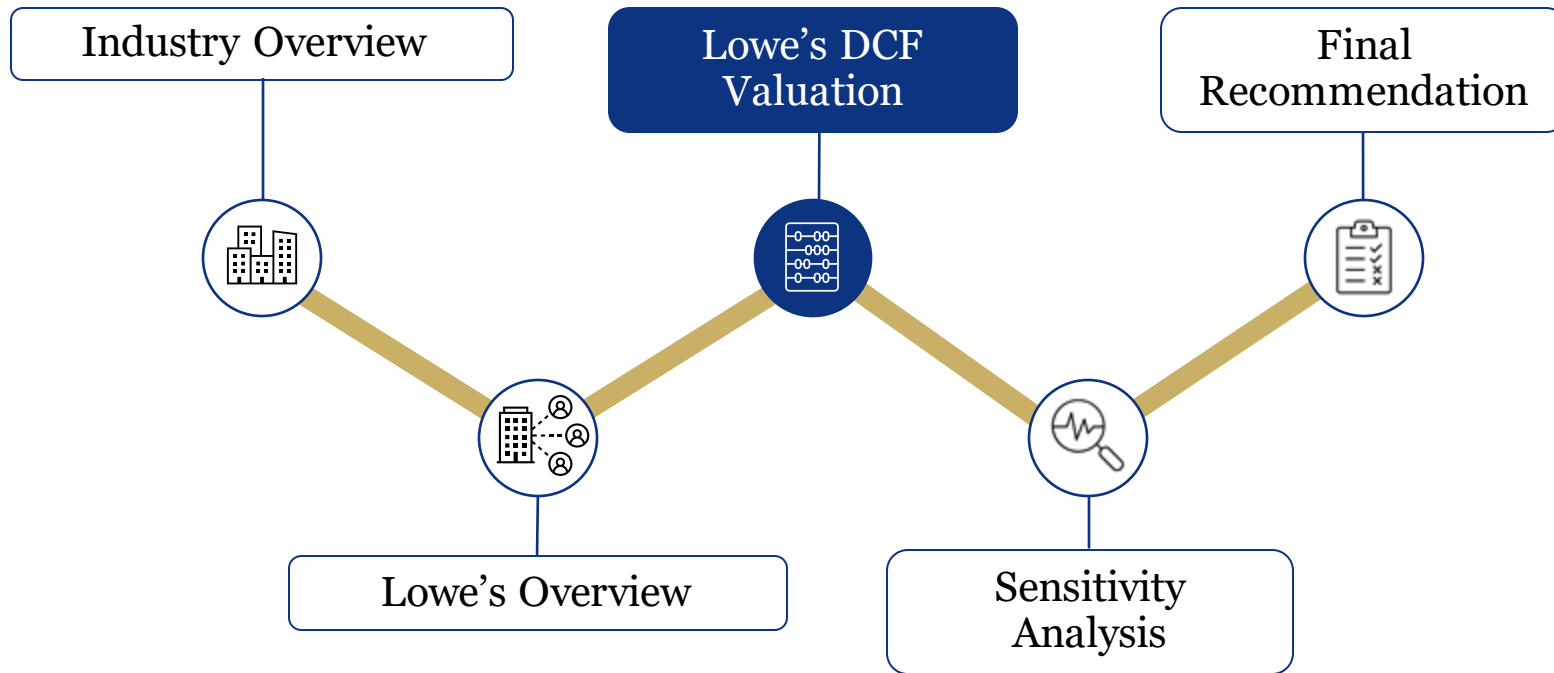
Reasons and Motivations for a potential Divestment of Lowe's

## Recent Indications:

- **Overall Sales Decline**  
Total Q4 sales declined from \$22.4 bn to \$18.6 bn
  - partly due to sale of Canadian retail business & sales from prior quarter
- **Decrease in Comparable Sales**  
Decline of 6.3% because of a slowdown in DIY demand & seasonality
  - Further decrease of 2-3% for 2024 expected
- **BofA removes Lowe's from US 1 List**  
Selection of stocks with exceptional high return potential
  - Suggests stock does not meet high expectations anymore
- **Downgrade from DA Davidson**  
Narrowed margin gap vs its peers
  - strong competition indicates possibly limited market share improvements

## Weight Overview:







**Lowe's  
Re-evaluation**



# DCF Valuation



Revenue is expected to stabilize

	Historical					Projection				
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenue	72 148	89 597	96 250	97 059	86 377	<b>87 240</b>	<b>89 857</b>	<b>94 350</b>	<b>99 068</b>	<b>104 021</b>
Growth Rate	N/A	24.19%	7,43%	0,84%	-11,01%	<b>1.00%</b>	<b>3.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>

\*All numbers in \$ mms

## Assumptions:

- *Possible interest rate cuts will boost home sales leading to better performance for home improvements industry.*
- *Analyst's forecast for home improvement industry growth is max. 5.00%*

# DCF Valuation



Operating margin's growth is the main focus

	Historical					Projection				
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
EBIT	6 579	10 882	12 255	12 660	11 534	11 777	12 580	13 209	14 860	15 603
% Revenue	9.12%	12.15%	12.73%	13.04%	13.35%	13.50%	14.00%	14.00%	15.00%	15.00%

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
CAPEX	1 329	1 559	1 576	1 746	1 814	1 919	1 976	2 075	2 179	2 288
% Revenue	1,84%	1,74%	1,64%	1,80%	2,10%	2.20%	2.20%	2.20%	2.20%	2.20%

\*All numbers in \$ mms

# WACC Estimation



Stock is overvalued also with optimistic risk premium

<b>Debt</b>	<b>Debt</b>	<b>\$ 36 015</b>
	% Debt	21.29%
	Cost of Debt	4.80%
	Tax Rate	24%
<b>Equity</b>	<b>Equity</b>	<b>\$ 133 168</b>
	% Equity	78.71%
	Cost of Equity	11.29%
	Risk Free rate	4.57%
	Beta	1.088
	Market Risk Premium	6.19%

## Risk Premium:

<b>S&amp;P 3Y avg. based risk premium</b>	<b>Analysts' risk premium US</b>
6.19%	5.2%

## Cost of Capital:

<b>9.67%</b>	<b>8.82%</b>
--------------	--------------

# DCF Valuation



Summary & Value per share

FCF	2025	2026	2027	2028	2029
<b>Unlevered</b>	10 399	11 052	11 605	12 938	13 585
<b>PV</b>	9 491	9 208	8 825	8 980	8 606

\*All numbers in \$ mms

<b>TGR</b>	<b>2.00%</b>
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**Current Share Price:**

\$ 232.05

**Implied Share Price:**

- 9.67% → \$ 140.78
- 8.82% → \$ 170.20

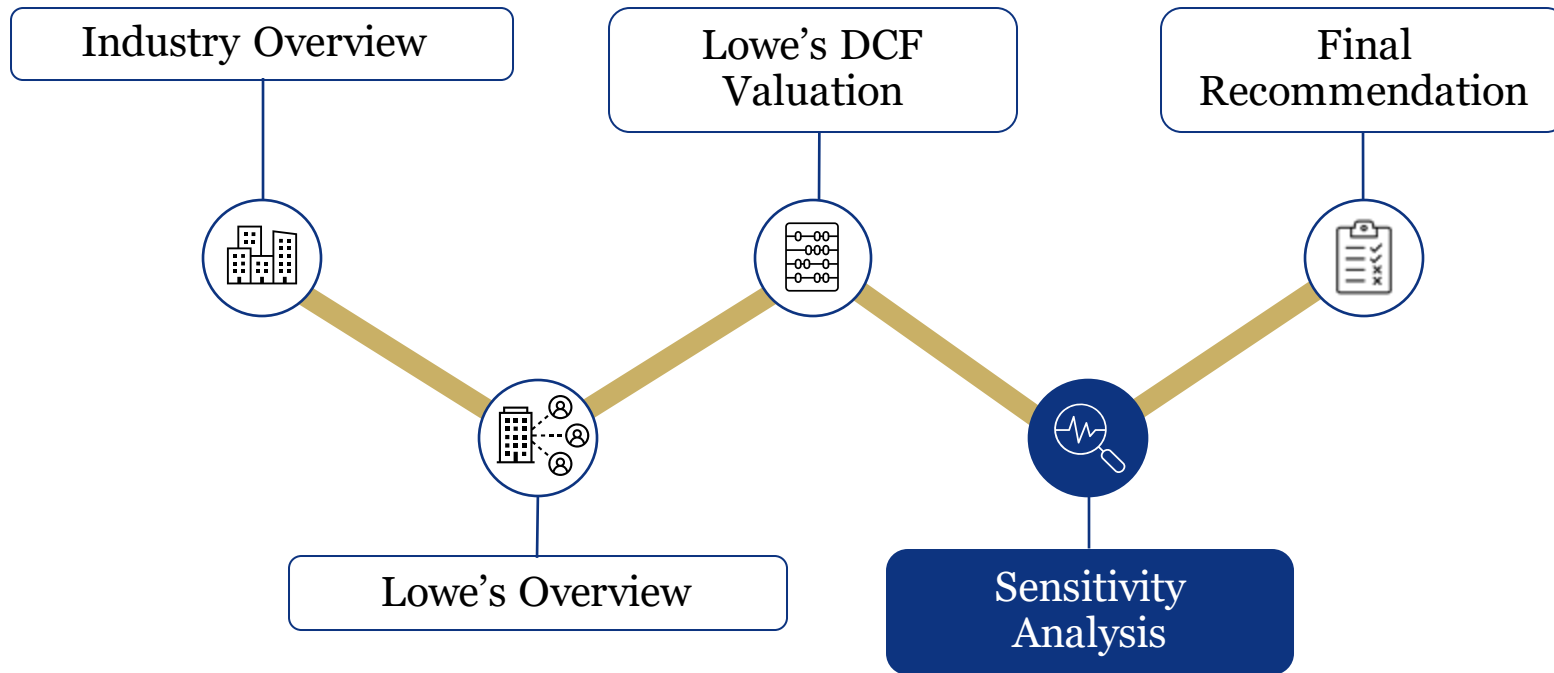
**Implied Downside:**

**-27% to -40%** range

**Model Assumptions:**

- *Optimistic assumptions*
- *Main focus on Operating Margin*





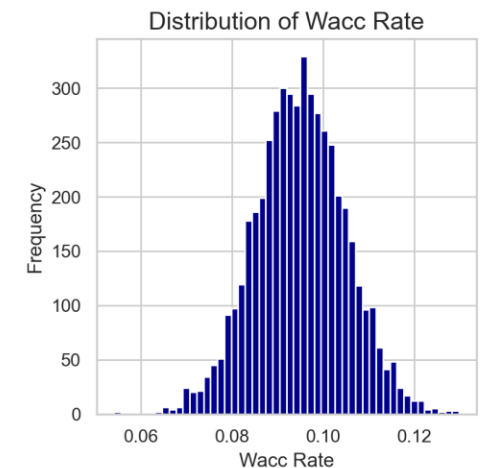
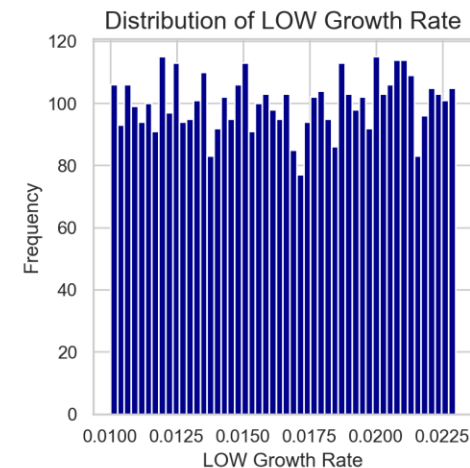
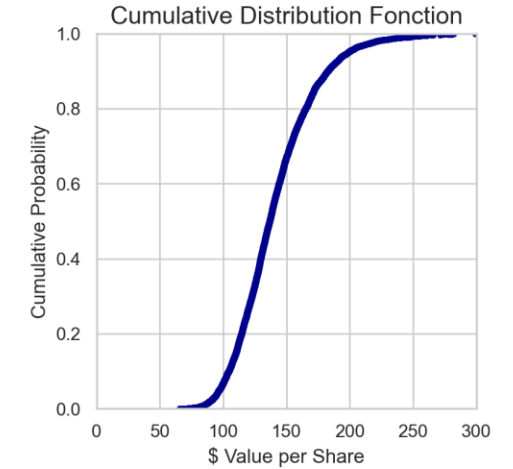
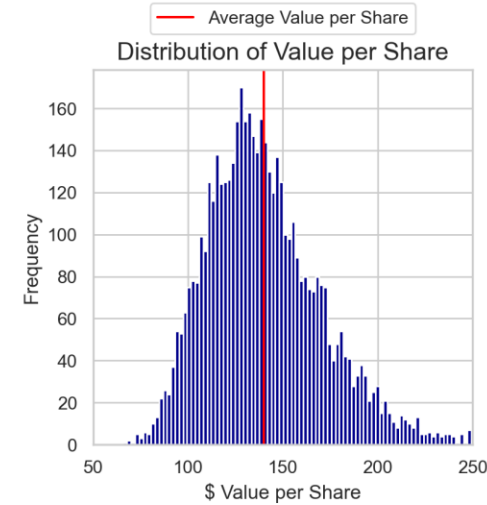
# DCF Sensitivity Analysis

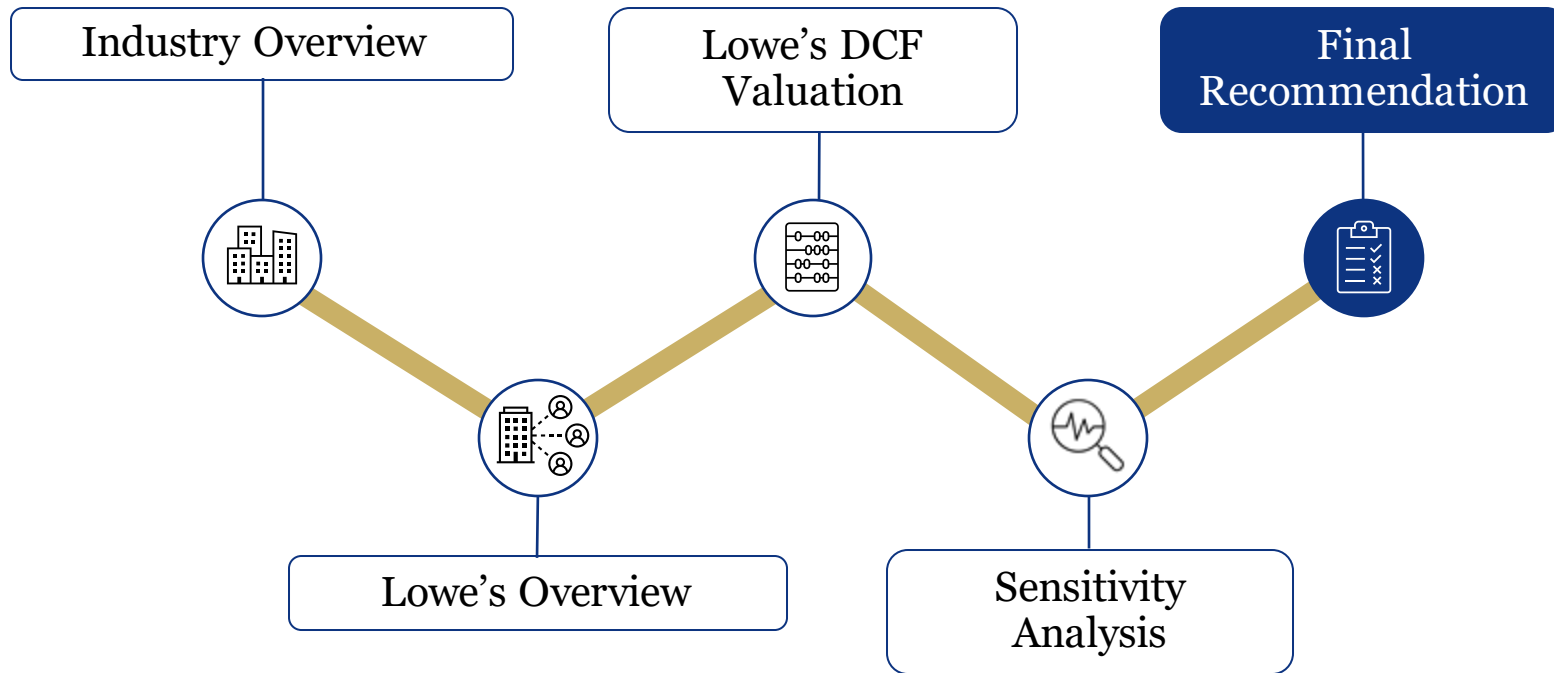


Monte-Carlo Simulation

## Simulation Results:

	Growth Rate	Wacc Rate	Share Price
<b>Count</b>	5000	5000	5000
<b>Mean</b>	1.65%	9.50%	<b>\$ 141.08</b>
<b>Std</b>	0.38%	0.99%	\$ 32.36
<b>25%</b>	1.32%	8.84%	\$ 118.55
<b>50%</b>	1.65%	9.50%	<b>\$ 136.78</b>
<b>75%</b>	1.99%	10.15%	<b>\$ 158.40</b>





# Final Recommendation



Strong overvaluation signals

## Summary:

### Business Outlook

Intrinsic valuation (**\$ 170.20**) does **not support** the recent increase in price.

- Share price drops in the future.

### Risks

**Correlation** of the home improvement industry with home sales.

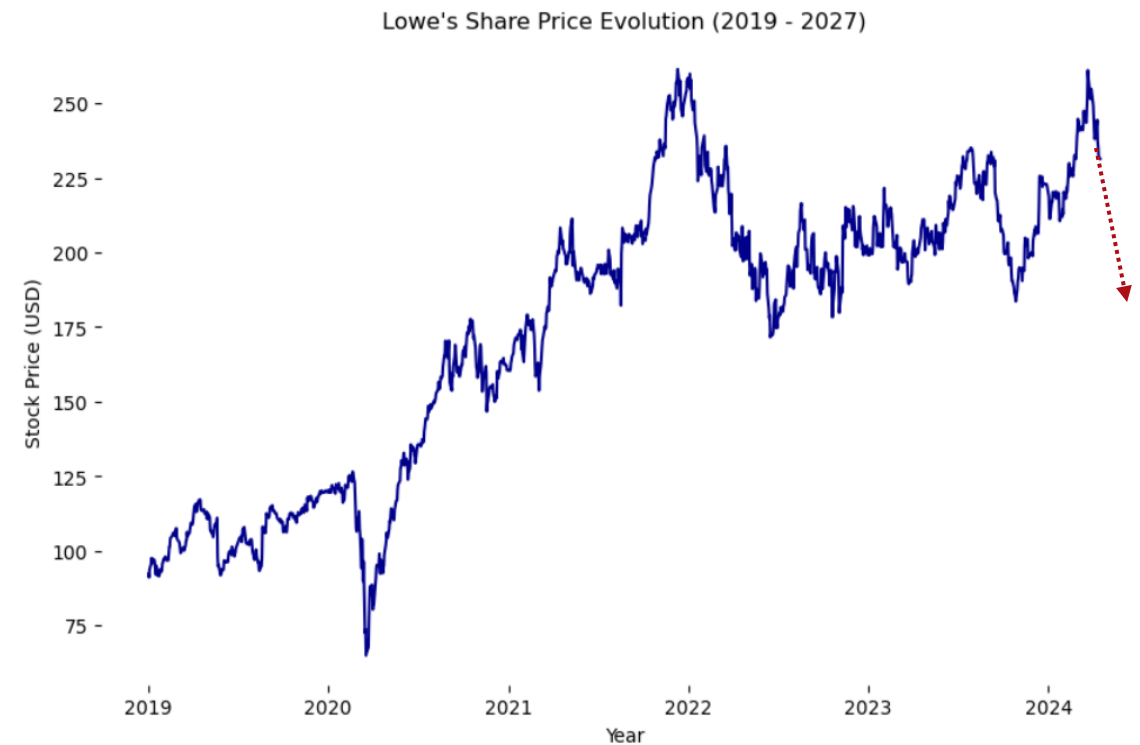
- Downgrade → limited mkt share improvements.

## Final Recommendation:

We recommend to **SELL** the holdings of **\$LOW** because:

- Firm is substantially **overvalued** by the market.
- Monitor and confront TA to support pessimistic intrinsic valuation.

## Price Forecast:



# What's next for CG?



## Luxury Goods

- **Decrease in stock prices** in the last year
- Strong ability to cope with **inflation**
- LVMH
- Luxottica
- Capri Holdings
- Ermenegildo Zegna NV



## ETF

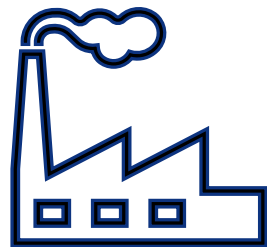
- Consumer **discretionary** ETFs: high-growth
- Consumer **staples** ETFs: negative growth
- Consumer Staples Select Sector (SPDR)
- Vanguard Consumer Discretionary



## Emerging Market

- China (cheap) and India (high growth)
- Southeast Asia (Thailand, Indonesia, Vietnam)
  - No EM ETF

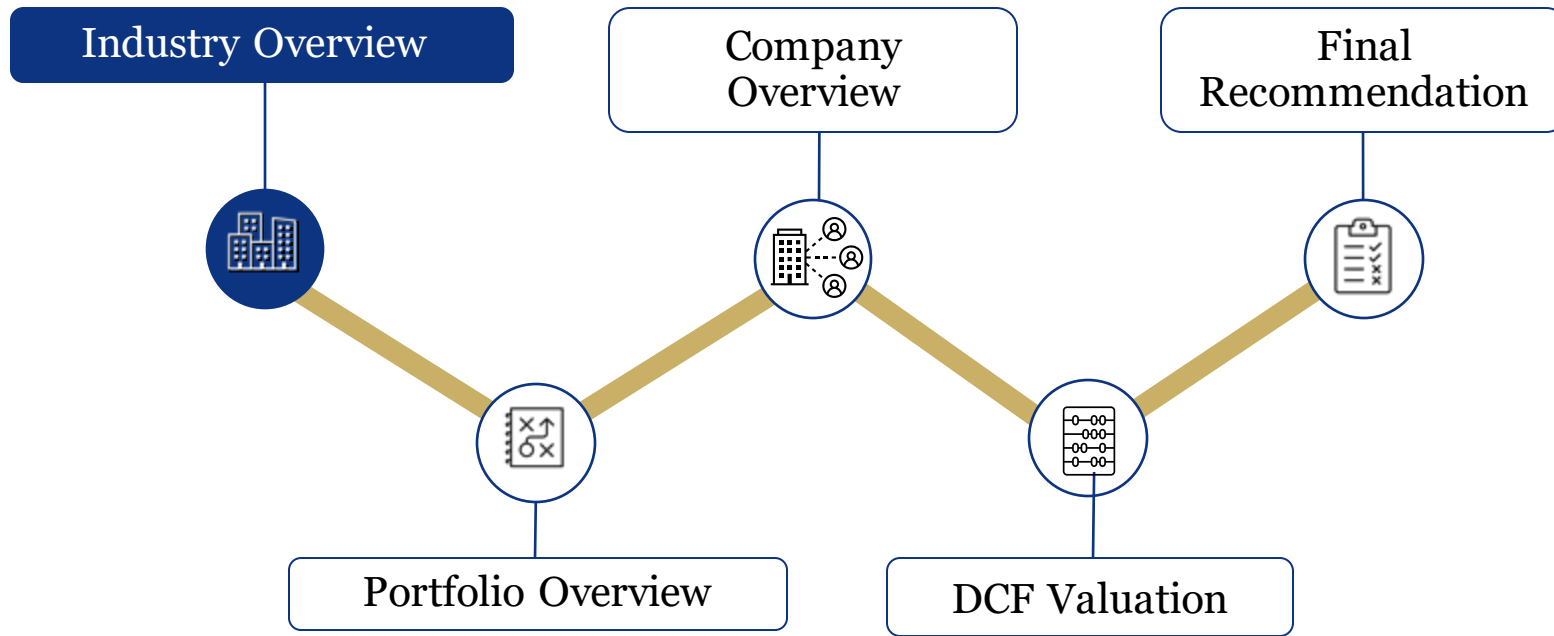




## Industrials & Energy

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**Σ**igma  
Investments



# Industry Performance



Industrials & Energy starting to overperform the benchmark as traders price in tightening policy

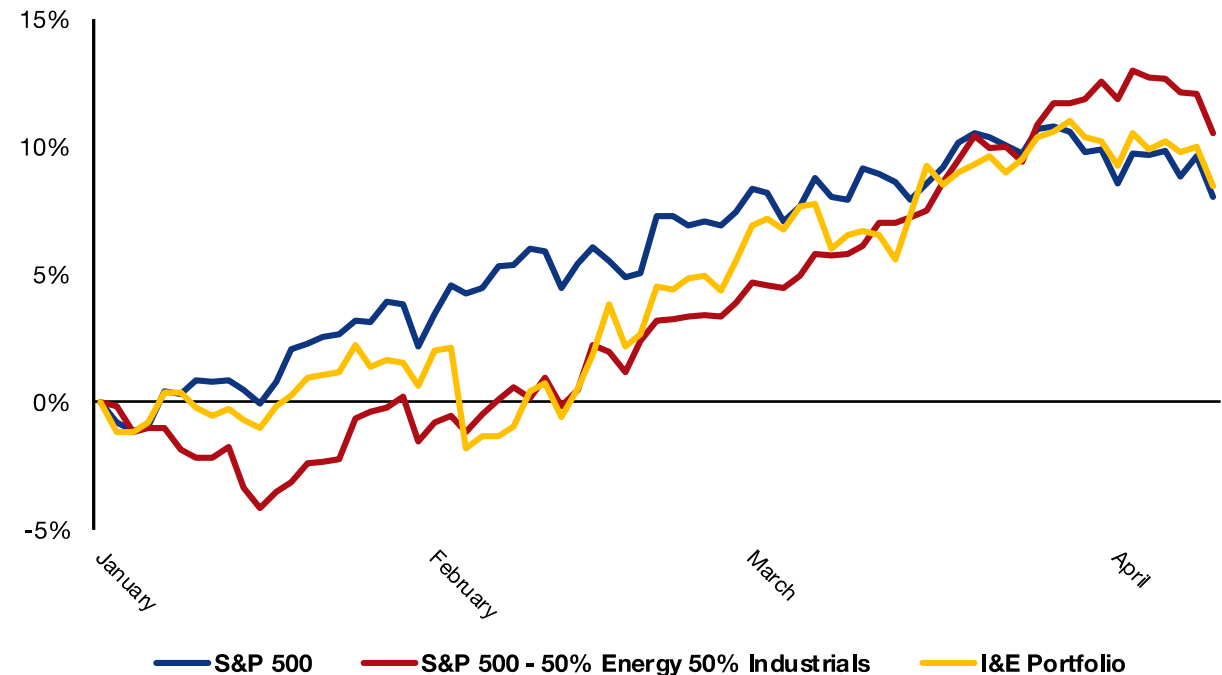
## Performance

- S&P 500 Energy delivered +13,0% meanwhile S&P 500 Industrial closed 8,02% overperforming the benchmark.
- S&P 500 - 50% energy and 50% industrial generate positive alpha of +2,51 points
- Sigma I&E portfolio is overperforming its benchmark

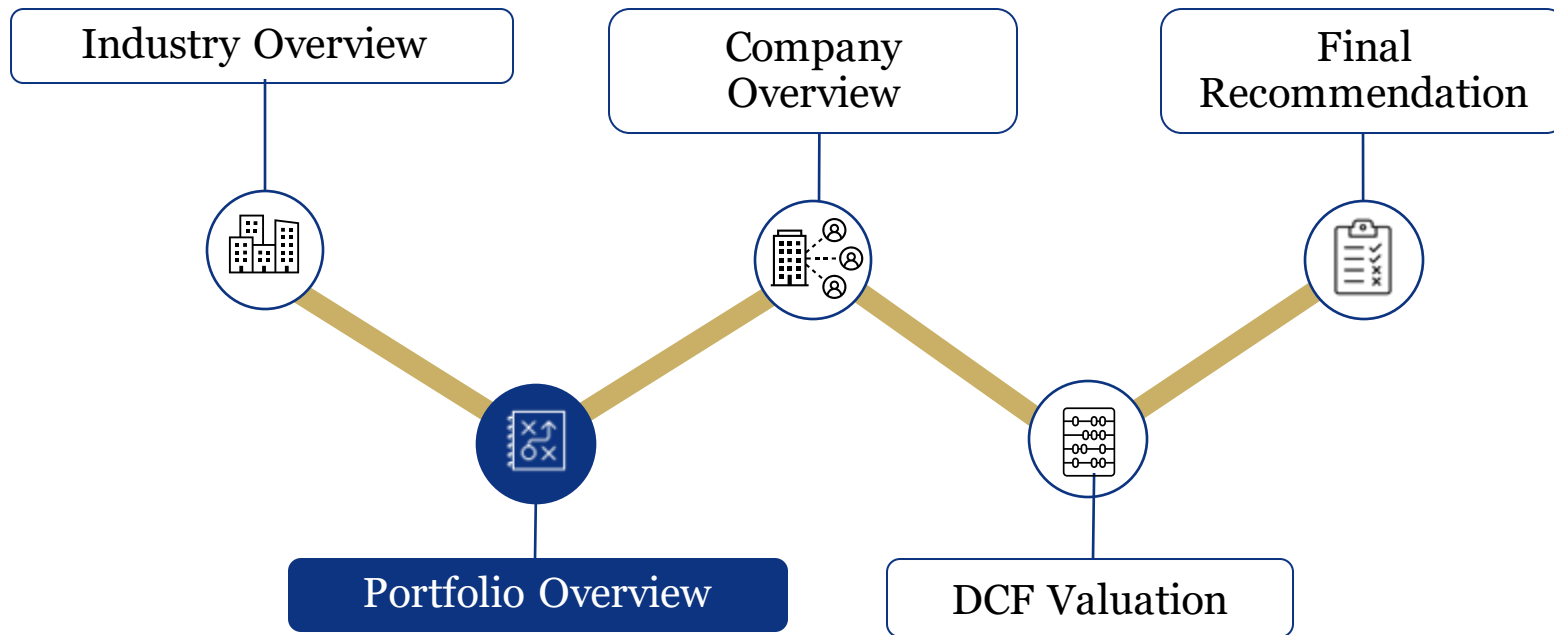
## Outlook

- Surging Oil Prices (WTI up 9.36% YTD) due to stable oil cuts from OPEC and geopolitical tensions in the Middle East.
- Precious metals reaching an all-time high → higher likely to Risk-off scenario
- Manufacturing PMI slightly decreased from February to 50,7 amidst consumer skepticism on rate cuts.

### YTD Return Comparison







# Portfolio Update



## Company news



- Inaugurated a facility in India for hydrogen combustion engines.
- Paid a fine of \$1.675 billion for exceeding pollution limits with their engines.



- Strong campaign for a zero-emission policy before 2050.
- Activity in selling shares by board members.



- Started a partnership with Eneco with the goal to power the production of liquid nitrogen and oxygen in the Netherlands.
- BofA and UBS increased their target to \$272 and \$258, respectively.



- M&A: Acquired a major stake in an energy solar system in Wales, increasing the overall energy division capacity by 25%.
- Constructed the largest solar panel station to power the Port of Liverpool by 2040.
- Initiating a 5-year investment worth €42 Billion plan financed with German green bonds.



- Strong M&A activity with the acquisition of North Gate Ready Mix and Bodean, both involved in the concrete business in EU.
- Share buyback in March worth €300 million, to be continued in April.



- Raised quarterly dividend by 25% to \$0.40 per share.
- Received subpoenas from the SEC related to shipments to China.

# Portfolio Overview

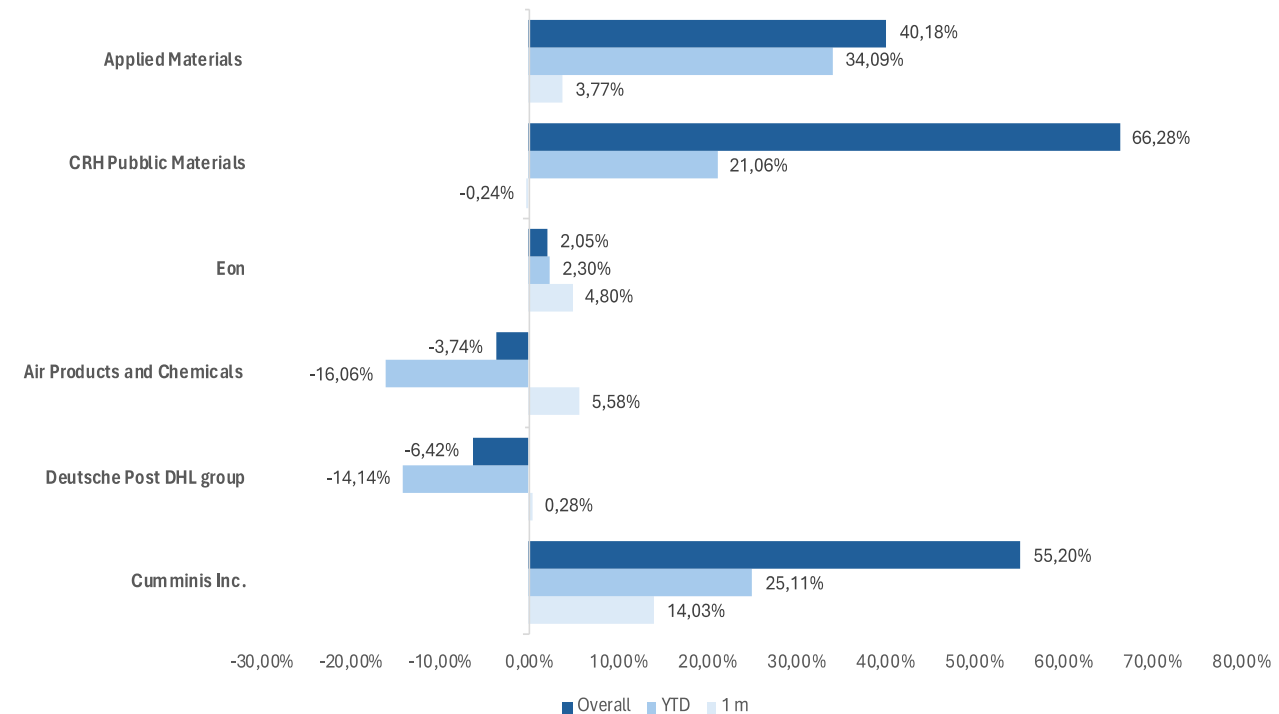


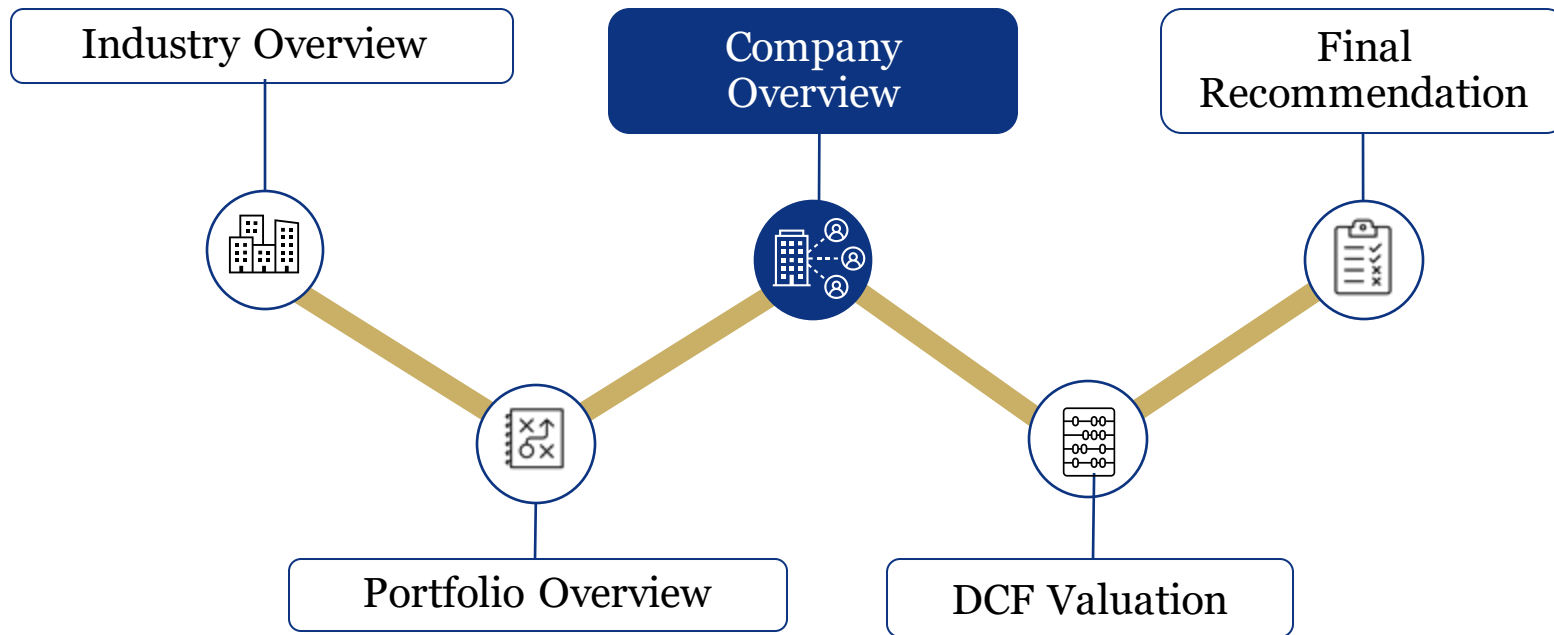
## Performance

Overall Weighted return: **+1,97%**

- Applied Material with highest monthly return inflated by global chip demand
- Deutsche Post DHL group focusing on shifting capital to more sustainable business
- Air Products and chemical suffering at an all time low price of Natural gas
- Cummins increases market share in Hydrogen; engine counted 14% of revenue

Performance Portfolio







**Applied Materials  
Re-evaluation**



# Applied Material (XNSY:AMAT)



Providing Manufacturing Equipment services and software to semiconductor player

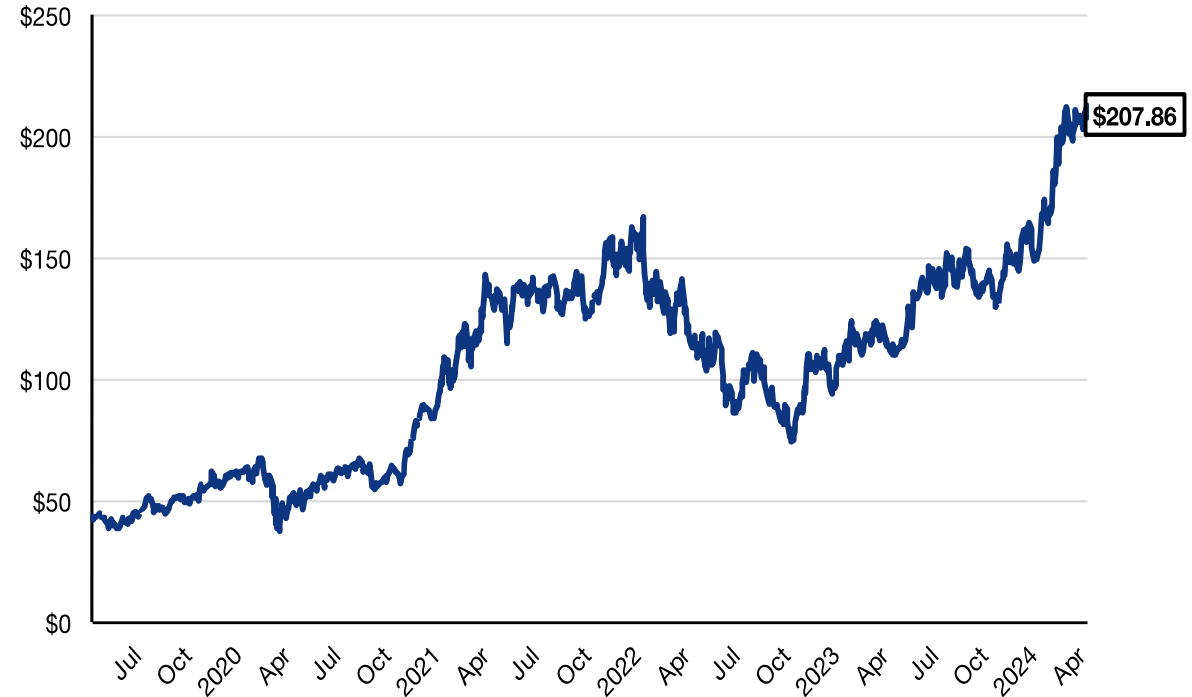
## Profile and News

- Founded in Santa Clara, CA (1967)
- Engaging in chip manufacturing equipment

## Reasons for revaluation

- Reached target price +49% from target
- Trending stocks following surge in global AI chip demand
- Flat revenue but strong profitability and dividend growth

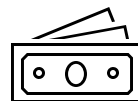
## Share Price Development



Current Price  
\$ 207,86



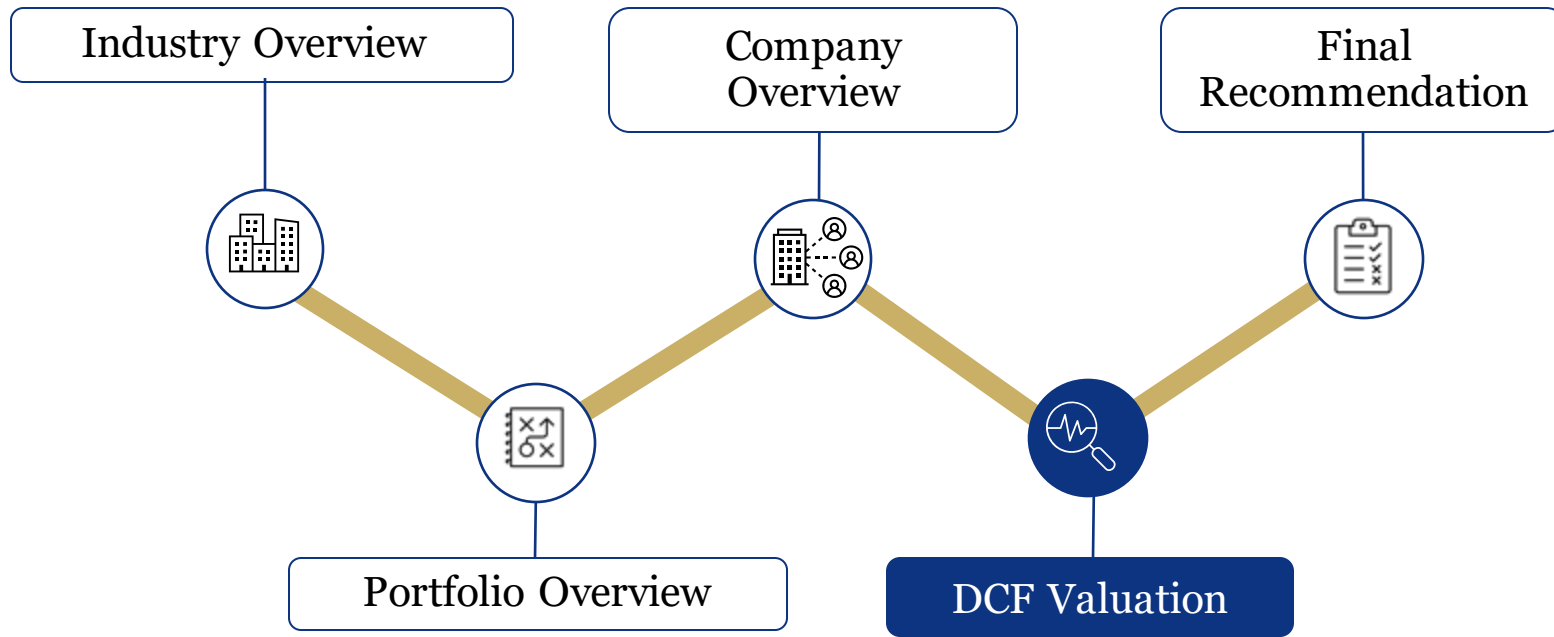
Market Cap  
\$ 172.7 bn



Current ratio  
1,51



Dividend Yield  
0,8%



# Free Cash Flow Projection



Solid revenue outlook in light of high Capex in highly competitive industry

DCF	2022	2023	2024	2025	2026	2027	2028	2029
Revenue	25 685	26 454	27 247,62	28 065,05	28 907,00	29 774,21	30 667,44	31 587,46
Revenue Growth (%)	3,3%	3,0%	3%	3%	3%	3%	3%	3%
Operating Income	8 140	8 098	8 174,29	8 419,51	8 672,10	8 932,26	9 200,23	9 476,24
Operating Margin	0,31	0,3	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%
Taxes	1 074,00	814,00	1 226,14	1 262,93	1 300,82	1 339,84	1 380,03	1 421,44
% of Operating Inc	13,2%	10,1%	15,0%	15,0%	15,0%	15,0%	15,0%	15,0%

BASE

\*All figures in millions of USD



# Free Cash Flow Projection



Solid revenue outlook in light of high Capex in highly competitive industry

DCF	2022	2023	2024	2025	2026	2027	2028	2029
Dep & Amort	2 775,00	3 100,00	3 193,00	3 288,79	3 387,45	3 489,08	3 593,75	3 701,56
% Revenue	10,8%	11,7%	11,7%	11,7%	11,7%	11,7%	11,7%	11,7%
% CAPEX	51,1%	60,2%	52,4%	35,9%	50,0%	61,5%	50,5%	50,6%
CAPEX	787,00	1 110,00	1 143,30	1 177,60	1 212,93	1 249,31	1 286,79	1 325,40
% of Revenue	3,1%	4,2%	4,2%	4,2%	4,2%	4,2%	4,2%	4,2%
Δ Working Capital	1 792,00	775,00	1283,5	1284,5	1285,5	1286,5	1287,5	1288,5
% Revenue	7,0%	2,9%	4,7%	4,6%	4,4%	4,3%	4,2%	4,1%
% of Δ Revenue								
<b>Unlevered FCF</b>		<b>12 269,00</b>	<b>12 567,94</b>	<b>12 907,48</b>	<b>13 257,17</b>	<b>13 617,32</b>	<b>13 988,24</b>	<b>14 370,26</b>

BASE

- **TV = 259 673,16**

\*All figures in millions of USD

# Share Price



## Summary

DCF	Conservative	Base	Optimistic
WACC	9.7%	8.7%	7.7%
TGR	2%	3%	3.5%
Implied share price	\$187	\$236	\$315

## Model Assumptions

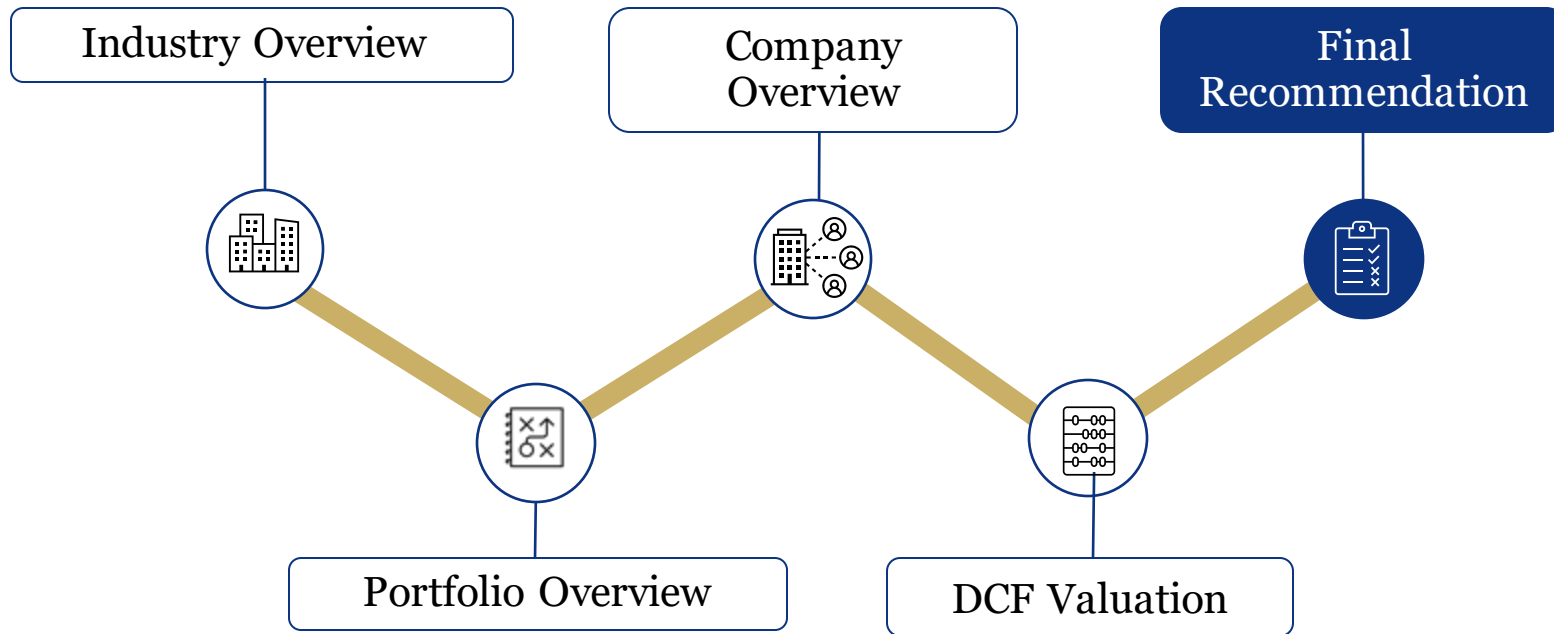
- Growth ahead, margins to be maintained.

**Current share price:**

**\$207**

**Implied upside:**

**14%**



# Final Recommendation



Better safe than sorry - Take profits in this AI rally

## Summary

### Business Outlook

- Well-positioned to benefit from long-term growth in chip demand driven by data centers, AI, and 5G
- Investment in R&D for next-generation chipmaking technologies strengthens market position

### Risks

- Geopolitical complications (e.g. tariffs) potentially arising from East-West conflict
- Overcapacity in chip manufacturing due to aggressive industry expansion and strong competitors (\$LRCX, \$KLAC) plans could lead to lower profits

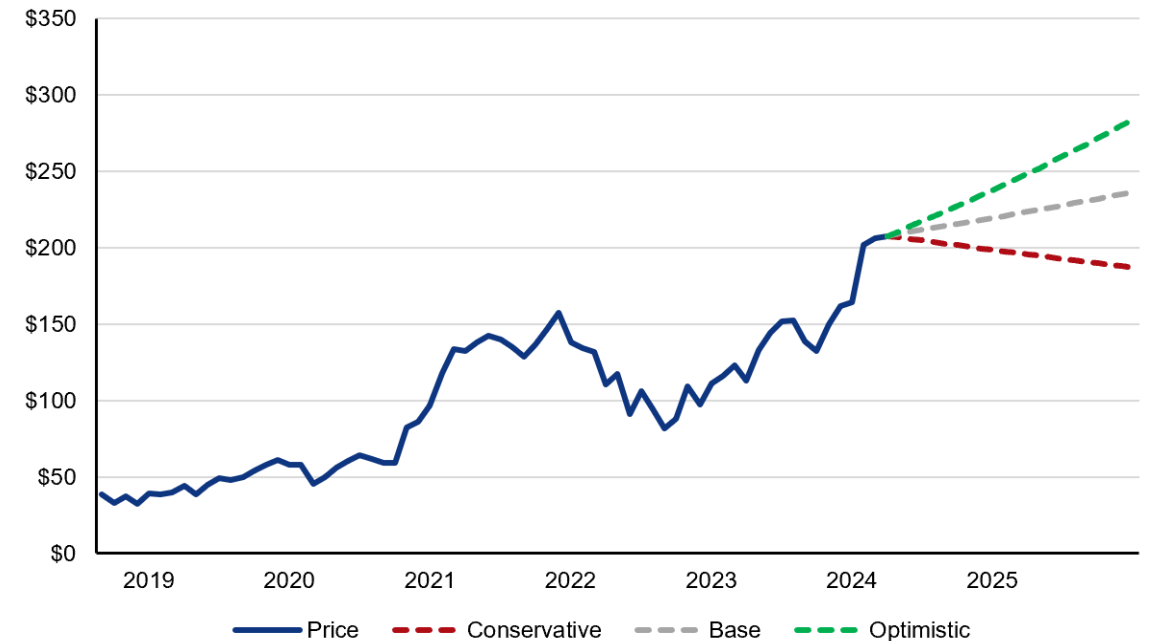
## Final Recommendation:

We recommend to **SELL** the holdings of **\$AMAT** because:

- Price target has been **exceeded**
- Intrinsic valuation does **not support** increase in price target
- **High valuations** in chip sector pose more downside risk than upside

## Price Forecast

- Expected upside of **14%**

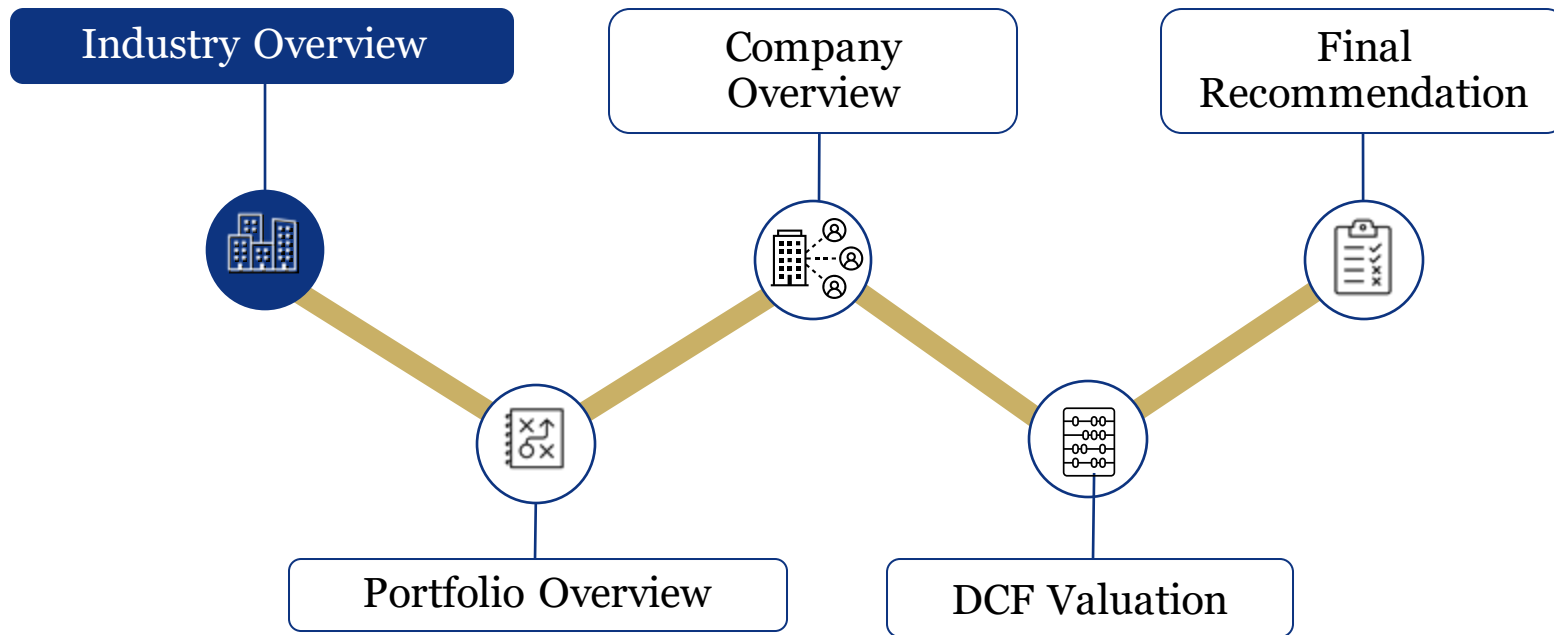




Technology, Media & Telecom

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**Σ**igma  
Investments



# Industry Overview



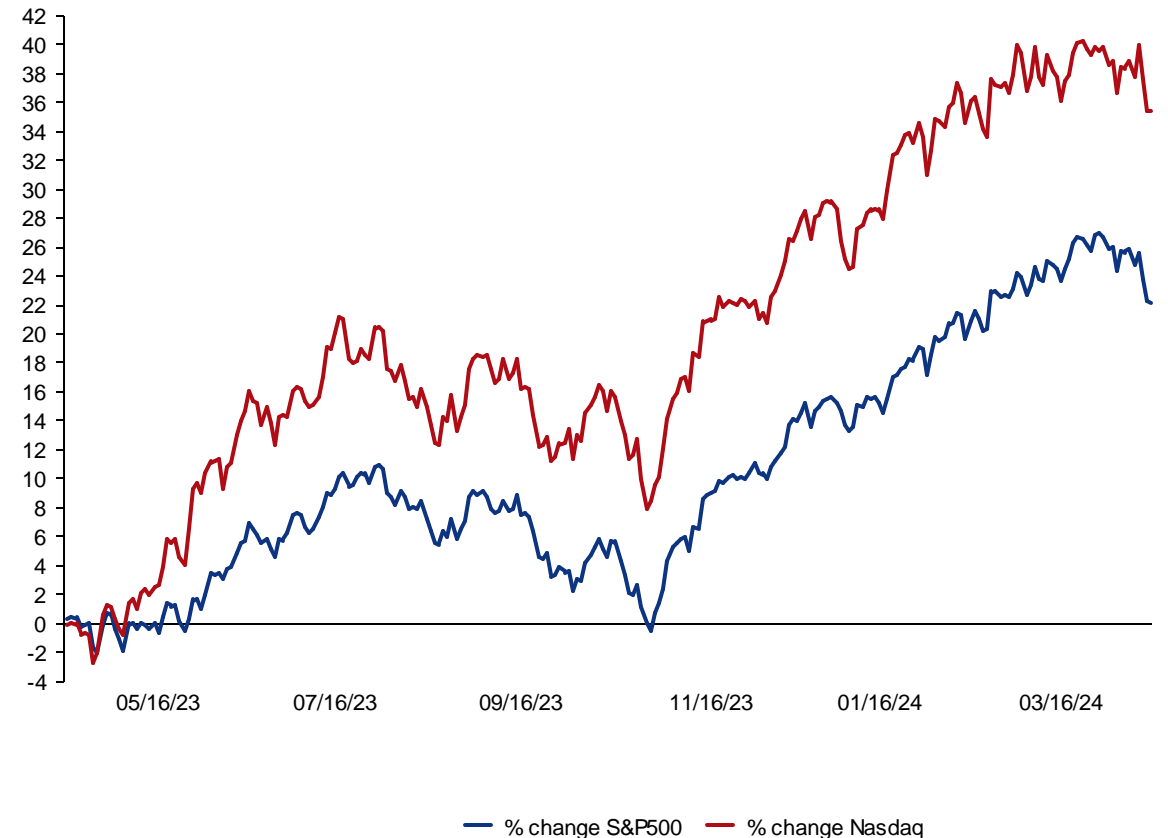
Stable outlook on the TMT sector

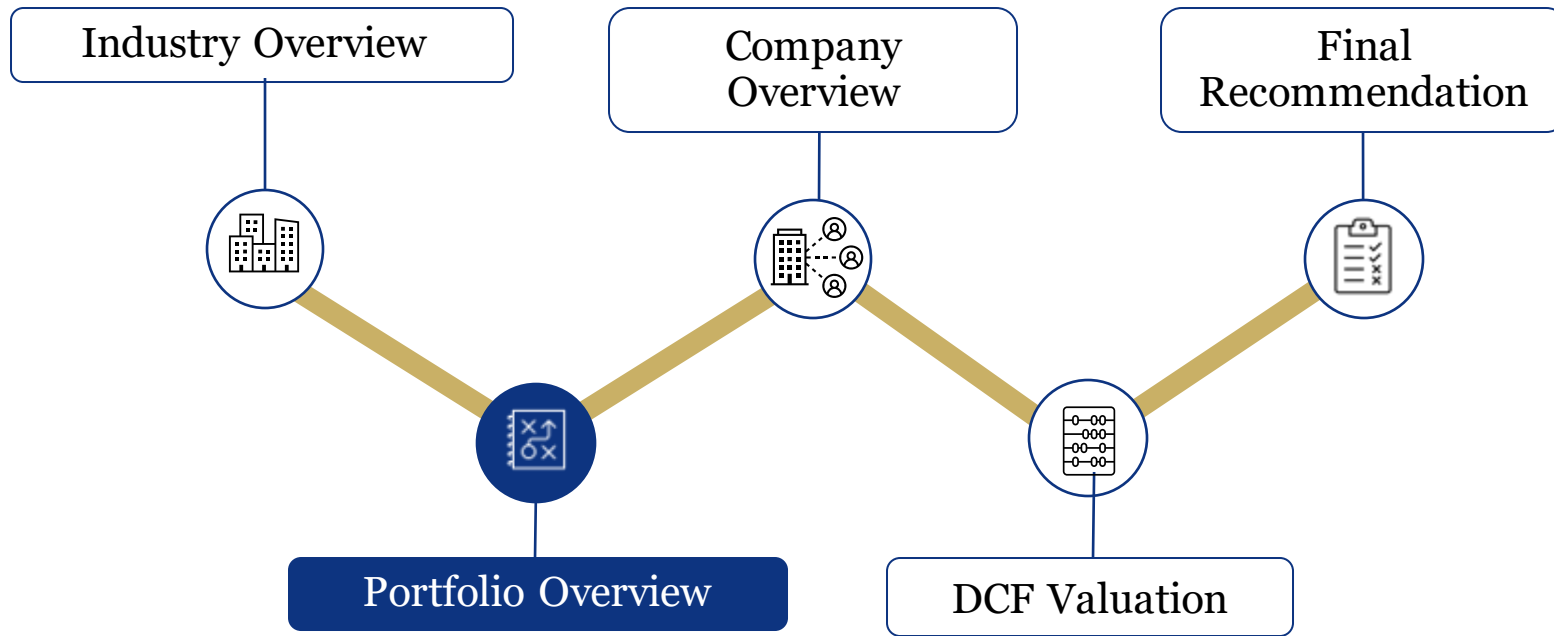
## Industry performance

- 12 month performance of 36.51% compared to 24.25% S&P 500
- 'Magnificent 7' contribute to slowed momentum
- Valuations are driven by high future earnings expectations in connection with future AI enabled efficiencies
- Cloud, AI and cybersecurity are expected to enable significant growth

## Our Exposures and Strategies:

- **Uncertainty Factors:** Economic situation, government policies
- **Strategy:** Divest from Tencent Holding, hold the remaining stocks







# News Overview



## News (3M)



- Introduced latest XPS series equipped with advanced AI capabilities



- US pushing Netherlands to curb the sale of ASML tools to China



- Paid their first dividend
- Released a new version of their custom-made AI chips
- Meta AI chatbot started tests on WhatsApp and Instagram



- Continued investments on live streaming events
- Reports results this Thursday



- Plans to expand GenAI application to boost revenue



- Closed off London office and laid off 8% of its PlayStation unit

- *Tencent* 7.11%
- *Deutsche Telekom* -5.89%
- *Lenovo* -21.20%

# Portfolio Overview



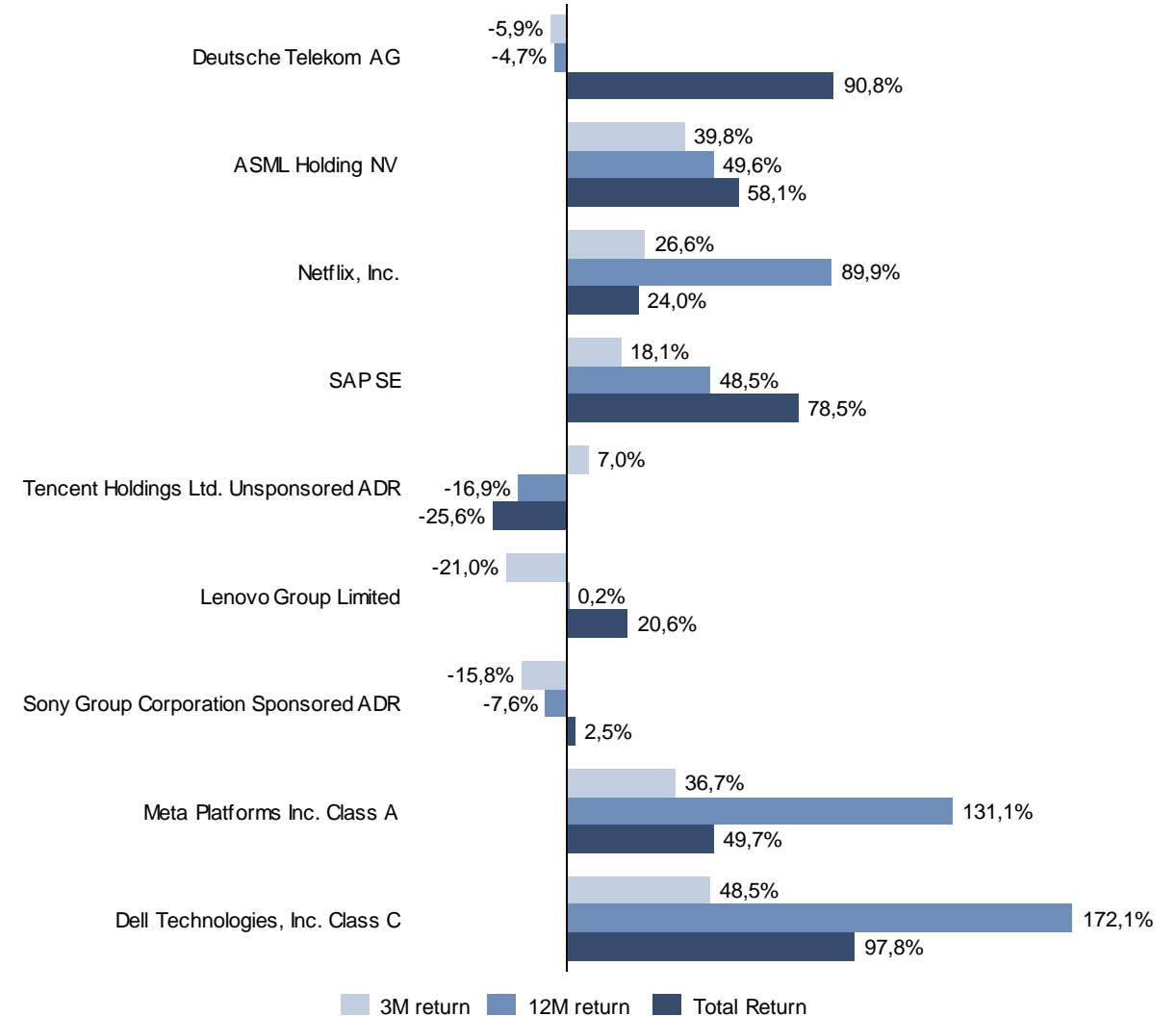
TMT in the current market landscape

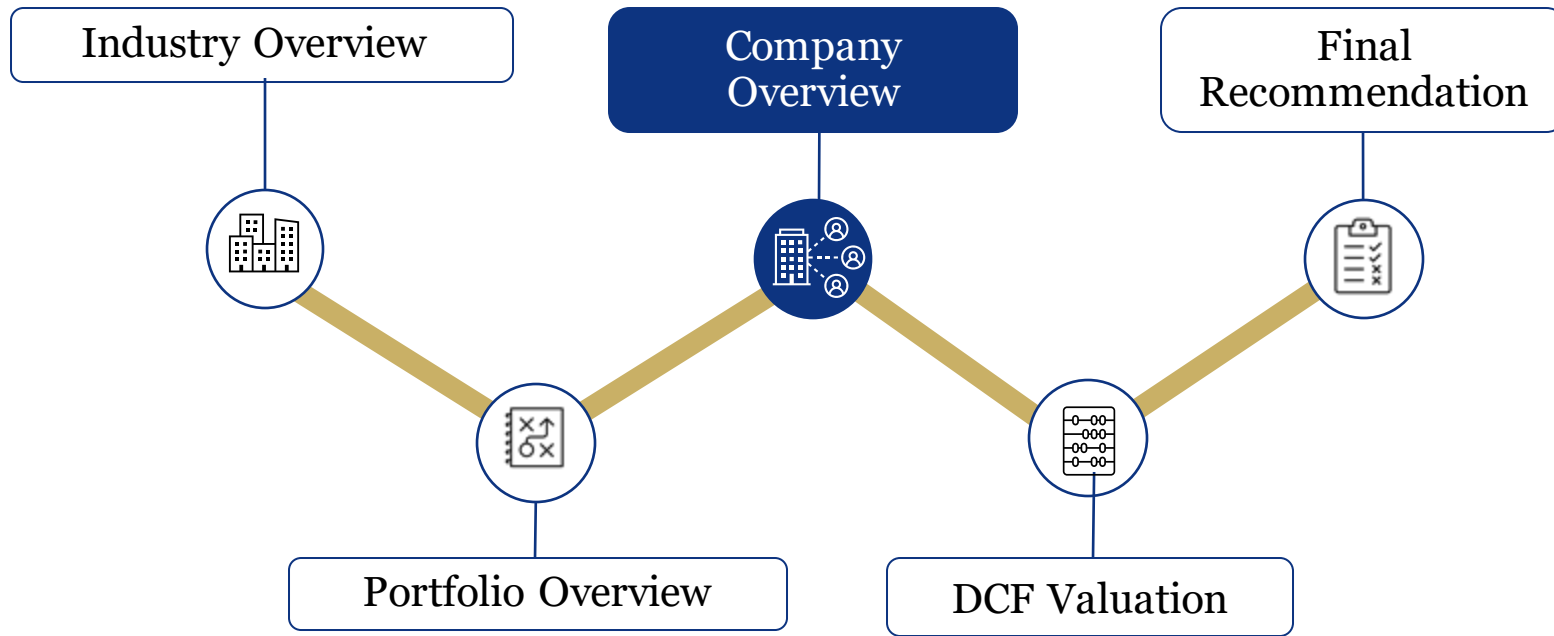
## Market

- **Overarching Sentiment:** All total returns (except Tencent) are double digit (except Sony) and positive
- **Outlook:** EY predicts continuous stable growth projections for the Tech-sector in the second half of 2024
- **Drivers:** AI and Machine Learning

## Risks and Exposures

- Reduction in 5G infrastructure might lead to reduced performance of Deutsche Telekom AG
- Strong reliance on AI applications → uncertain regulatory environment
- Geopolitical tension between the China and the US, great importance of election results in November this year → uncertainty related to China exposure





# *Tencent* 腾讯

**Tencent Holdings Limited  
Re-evaluation**

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**Σigma**  
Investments

# Company Overview



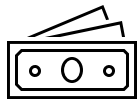
Tencent lost significantly in market value LTM

## Profile

- Multinational tech conglomerated headquartered in Shenzhen China
- **Main fields:** instant messaging, online media, wireless internet, interactive entertainment, e-commerce, and online advertising services
- **#1 largest company** in video game industry based on equity investments
- largest share of revenue is generated in Chinese and US market
- Recent Operations of the company strongly determined by geopolitical tensions between China and the US
- Share buybacks to counteract divestment tendency of institutional investors



Market Cap  
\$ 364 bn.



P/E Ratio  
14.79

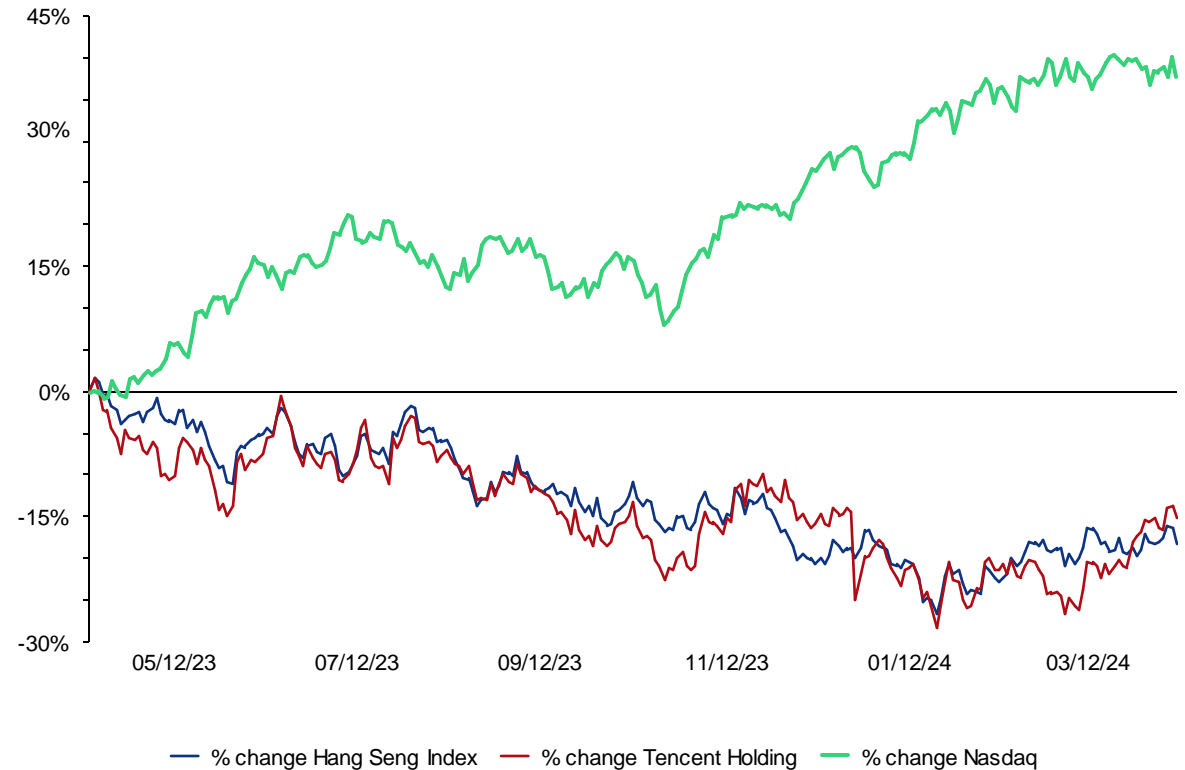


52 Week Beta  
0.94



Current Ratio  
1.5

## 12 months return comparison



# Revenue Exposure



## Geographical Revenue

### Tencent's Exposure

- Dominant revenue generation in China and the US
- High sensitivity to associated geopolitical impacts



### Revenue Exposure By Country/Region

Total LTM Revenue HK\$673.2B

	% of Tot. Rev.
 Mainland China	90.4
 United States	3.0**
 Japan	0.5**
 Germany	0.5**
 India	0.4**
 United Kingdom	0.3**
 France	0.3**
 Italy	0.2**

# Current State of Chinese Economy



The tech conglomerate lost significantly in market value over the last year

## Chinese Economy

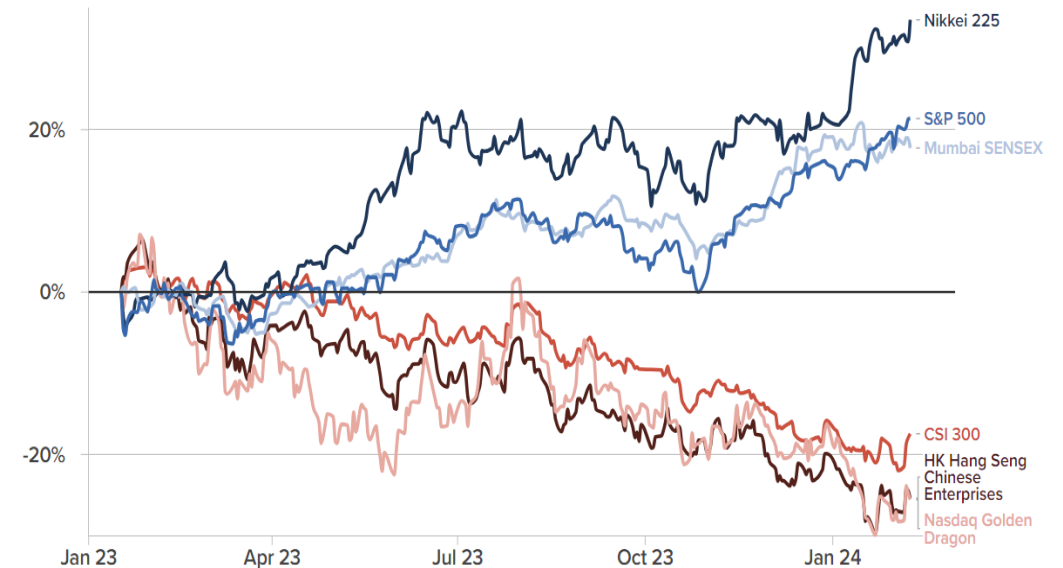
- Noticeably lower foreign investment activity
- Weak Export paired with weak Currency (LTM)
- Important property market performs bad

## Chinese Stock Market

- Institutional Investors progressively prefer other Emerging markets with lower political risk
- Chinese Indices have pessimistic LTM performance -> other Asian markets simultaneously profit as money is pulled out of China

## Comparison with US

- As of 2023, China and the US share 42.73 and 34.23 (respectively) of the entire world's GDP in nominal terms
- US had noticeably stronger Currency (USD) in past 6 month
- GDP gap between China and US is widening in favor of US (+6.3% LTM)



Source: Bloomberg Finance LLP.

# Recent Polls for the US election



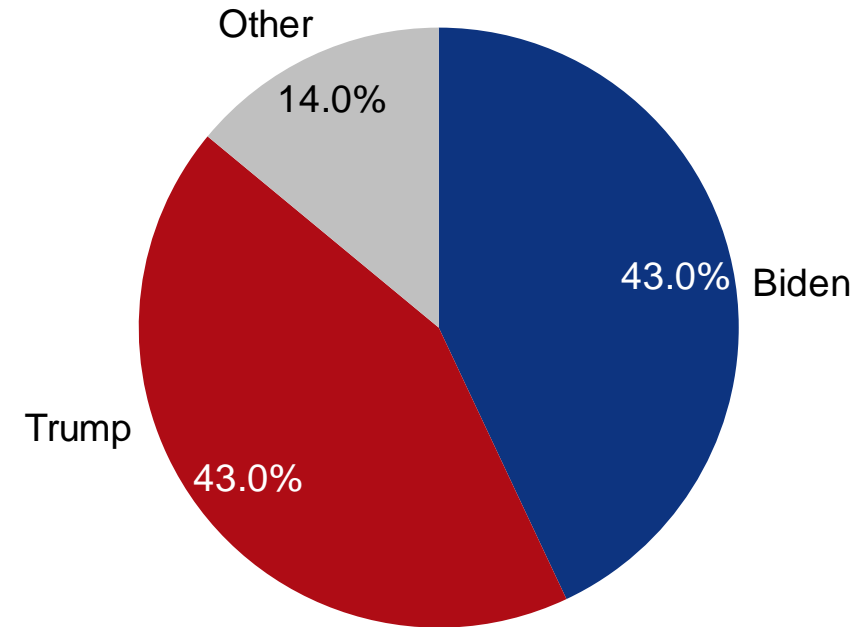
US elections and geopolitical tensions

## Trump Case

- Trump already announced tangible tendency to reintroduce a 60% tax on chinese goods
- Trade war might be triggered
- Retospective: In the past, Trump introduced a 25% tariff that was followed by counter measures of Chines government-> reduction in surplus for both economies

## Biden Case

- Less drastic tariffs can be expected
- BUT: After Trumps introduction of the 25% tariff on Chines goods, Biden did not build back this measure



Average of 6 Polls  
Last Poll: April 14



# WACC



TMT team WACC build up in line with street estimates

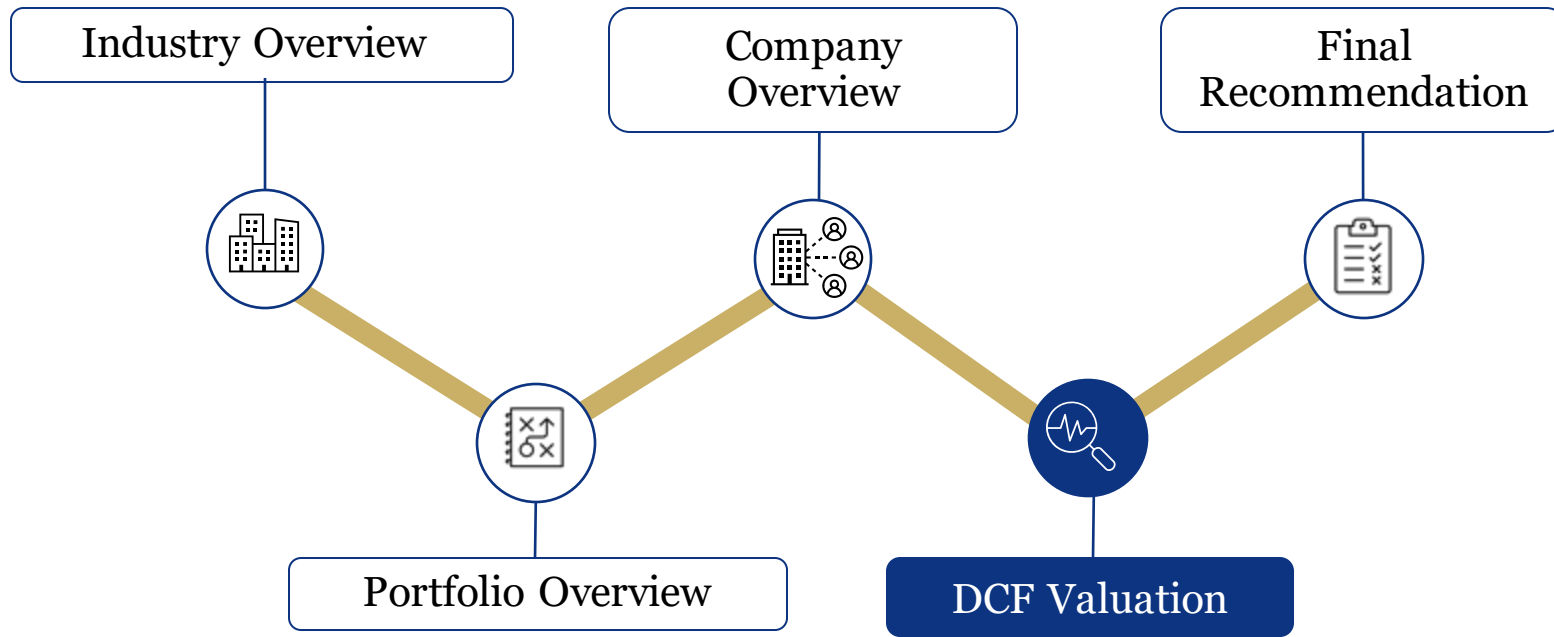
Debt	43
% Debt	10.4
Cost of Debt	7.0%
Tax Rate	25.0%
Equity Value	396
% Equity	89.6%
Cost of Equity	6.1%
Risk Free Rate	4.3%
Beta	0.43
Market Risk Premium	5.5%

## Cost of Capital

**7.04%**

### Key Assumptions:

- 1% country risk premium was added to WACC build-up
- Own (unlevered) beta calculation relative to the S&P modeled with slope function in excel



# Free Cash Flow Projection



Revenue growth declines significantly due to gaming sector, operating profits in focus

DCF		2020	2021	2022	2023	2024	2025	2026	2027
Revenue % growth	Conservative					90,686 5.5%	94,767 4.7%	99,031 4.6%	103,487 4.5%
	Base	69,841 27.9%	86,848 24.4%	82,354 -5,2%	85,958 4.4%	92,233 7,3%	100,534 9,0%	109,582 8.7%	118,896 8.5%
	Optimistic					92,878 8,1%	101,933 9.75%	111,872 9.75%	122,220 9.25%

EBIT % margin	Conservative					22,671 25.0%	24,165 25.5%	25,451 25.7%	26,596 25.7%
	Base	17,421 24.9%	17,909 20.6%	15,270 18.5%	21,930 25.5%	23,981 26.0%	26,641 26.5%	29,258 26.7%	31,745 27.0%
	Optimistic					24,613 26,5%	27,522 27.0%	30,429 27.2%	33,244 27.2%

\*All figures in millions of EUR

# Share Price



Low cost of capital due to adjusted investor expectations

DCF	Conservative	Base	Optimistic
WACC	8.00%	7.04%	6.70%
TGR	1.8%	2.0%	2.5%
Implied share price	\$25.16	\$39.02	\$49.30

## Model Assumptions

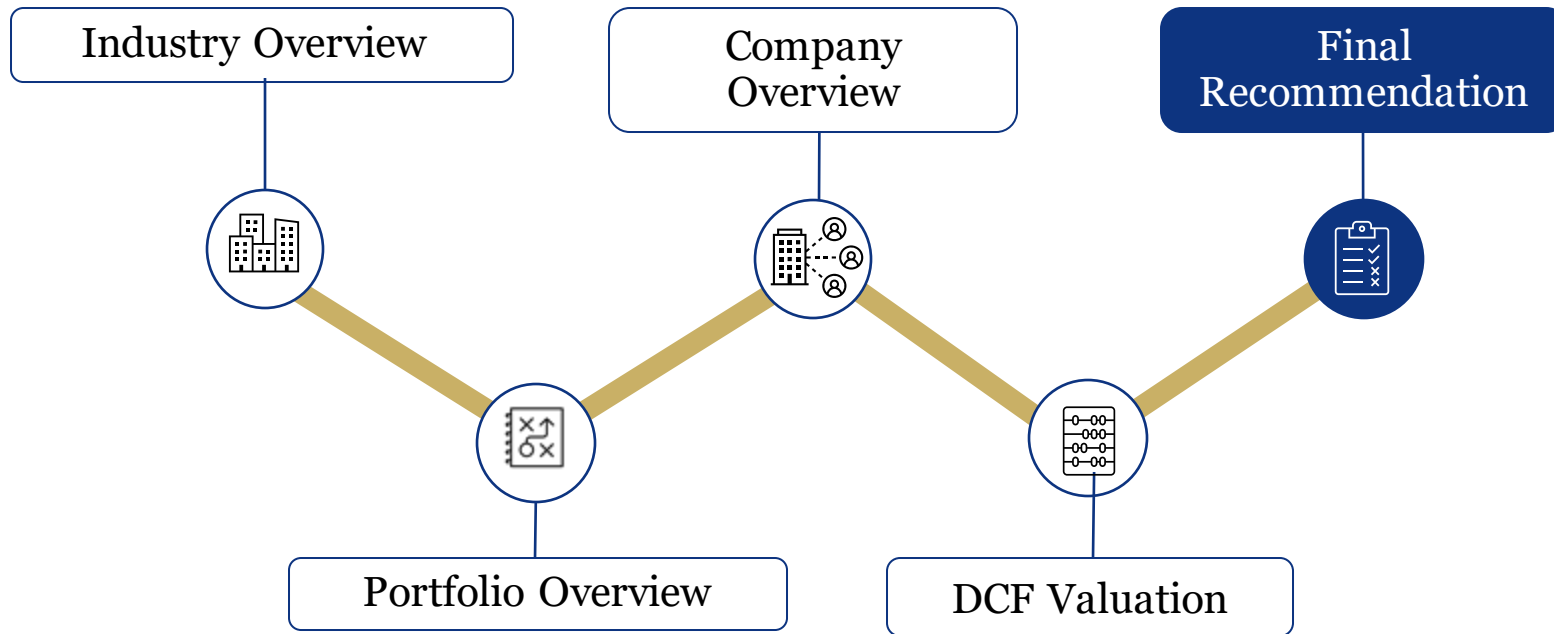
- Medium growth expectations due to economical state of China
- Increase in EBIT margin

**Current share price**

**\$39.50**

**Implied downside**

**1%**



# Final Recommendation



Leveraging Profitability: A Prudent Divestment from Tencent, Mindful of Transaction Costs

## Summary

### Business Outlook

- Continues to be a leading player in the tech industry in China

### Risks

- Geopolitical Risk
- Slow Economic Growth in China

## Final Recommendation:

We recommend to **Sell**, however Shareholders should consider:

- **Transaction cost:** Might be higher than the implied downside
- **If Hold:** Monitor development with regards to China tensions
- **Growth in ST limited**

## Price Forecast



# Attendance and Voting!



Attendance



Voting

