

# MANAGER PERSPECTIVES: GLOBAL EQUITIES

INVESTOR FORUM  
23 October 2019



# INVESTING FOR GENERATIONS

WILLIS TOWERS WATSON FOR ALLIANCE TRUST

OCTOBER 2019

# WILLIS TOWERS WATSON INVESTMENT TEAM



**CRAIG BAKER**  
Global CIO  
Chair of Investment  
Committee



**STUART GRAY**  
Co-Portfolio Manager  
Investment Committee  
Member

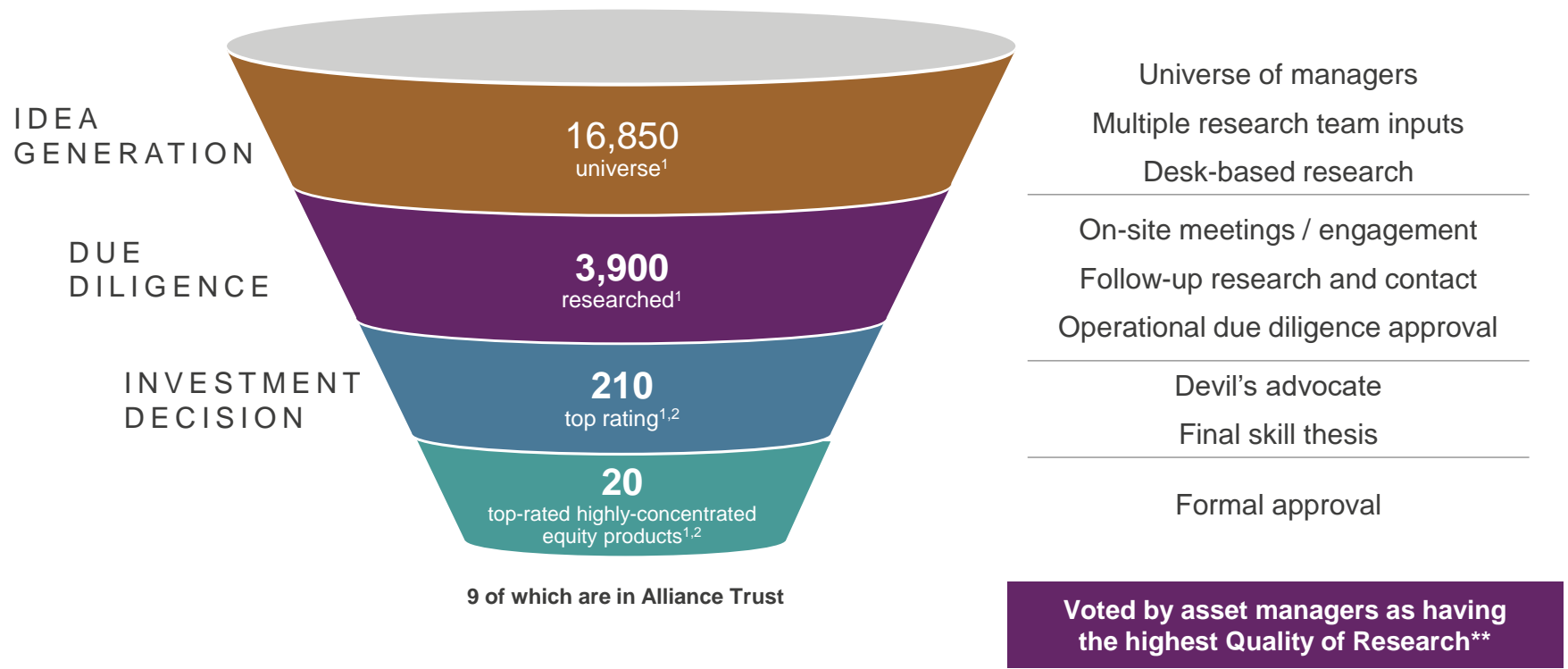


**MARK DAVIS**  
Co-Portfolio Manager  
Investment Committee  
Member

GLOBAL RESEARCH ASSOCIATES	OPERATIONS AND SUPPORT ASSOCIATES	PORTFOLIO MANAGEMENT TEAM ASSOCIATES
115	207	19










# MANAGER RESEARCH PROCESS

WE FOCUS ON QUALITATIVE FACTORS SUPPORTED BY DATA ANALYTICS



Notes: Figures included above are approximated and rounded.  
Sourced from Willis Towers Watson as at December 2018  
<sup>1</sup> Equity long-only products <sup>2</sup> As rated by Willis Towers Watson \*\*Portfolio Institutional Consultants Survey 2016.

# NINE OF THE BEST STOCK-PICKERS FROM ACROSS THE WORLD WITH DIVERSE STYLES<sup>1</sup>

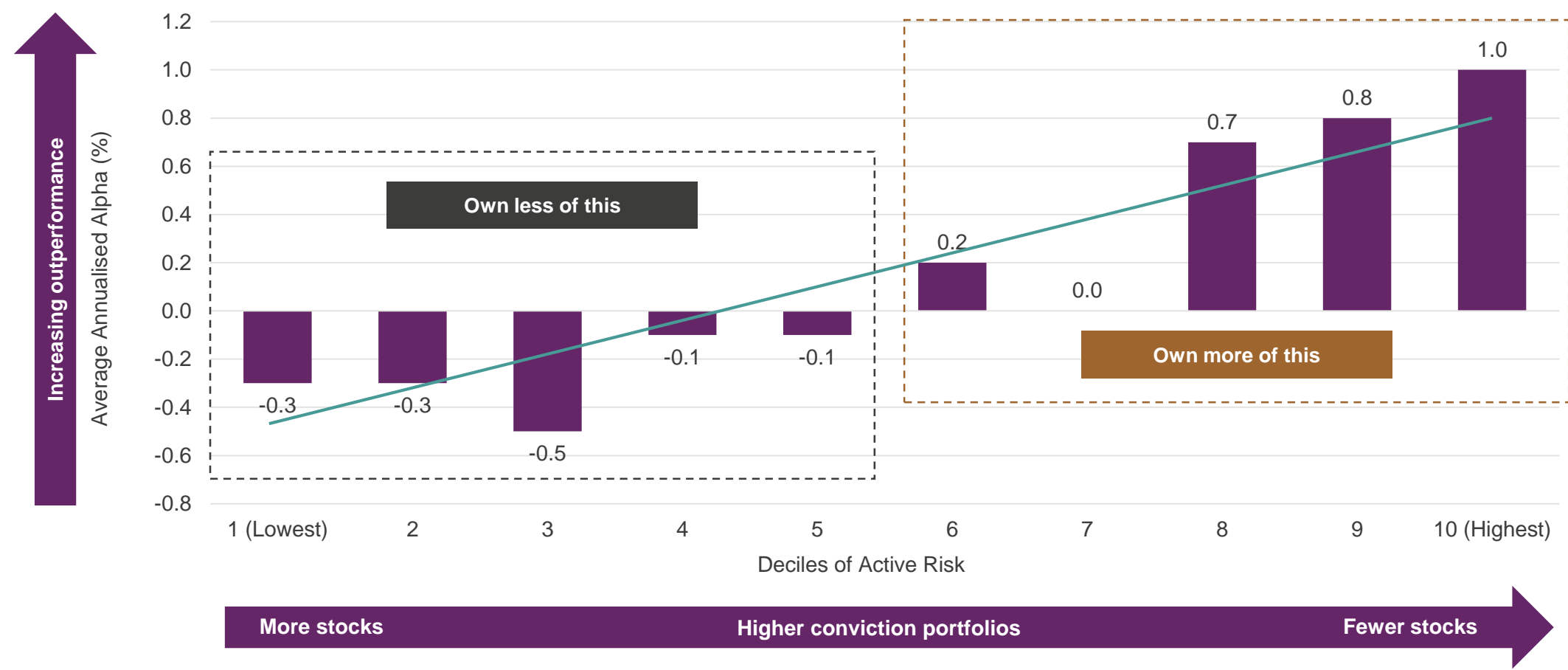
 <p><b>BILL KANKO</b>  <b>Black Creek Investment Management</b>          Value-orientated buyers of leading businesses. Long-term contrarian approach</p>	 <p><b>RAJIV JAIN</b>  <b>GQG Partners</b>          Looks for high-quality &amp; sustainable businesses whose strengths should outweigh the macro environment</p>	 <p><b>GEORGE FRAISE, ROB ROHN, GORDON MARCHAND</b>  <b>Sustainable Growth Advisers</b>          Seeks companies that have strong pricing power, recurring revenue generation &amp; long runways of growth</p>	
 <p><b>ANDREW WELLINGTON</b>  <b>Lyrical Asset Management</b>          Focus on businesses with attractive capital returns &amp; flexibility to react to all phases of the business cycle</p>	 <p><b>C.T. FITZPATRICK</b>  <b>Vulcan Value Partners</b>          Focus on finding quality businesses that have the ability to compound in value over the long term.</p>	 <p><b>GREG HERR, PIERRE PY</b>  <b>First Pacific Advisors</b>          Seeks companies with high-quality business models, that exhibit financial strength &amp; strong management</p>	<p><b>CANADA</b></p> <p><b>UK</b></p> <p><b>US</b></p>
 <p><b>BEN WHITMORE</b>  <b>Jupiter Asset Management</b>          Seeks out-of-favour &amp; under-valued businesses with prominent franchises &amp; sound balance sheets</p>	 <p><b>ANDY HEADLEY</b>  <b>Veritas Asset Management</b>          Thematic investing to identify companies &amp; industries that are well positioned to benefit medium-term growth</p>	 <p><b>HUGH SERGEANT</b>  <b>River &amp; Mercantile Asset Management</b>          Strength in smaller companies &amp; recovery situations identifying value at different stages of a company's lifecycle</p>	

5 managers available to UK retail clients only through Alliance Trust, and none in the 20-stock format

<sup>1</sup>As rated by the Willis Towers Watson manager rating system.



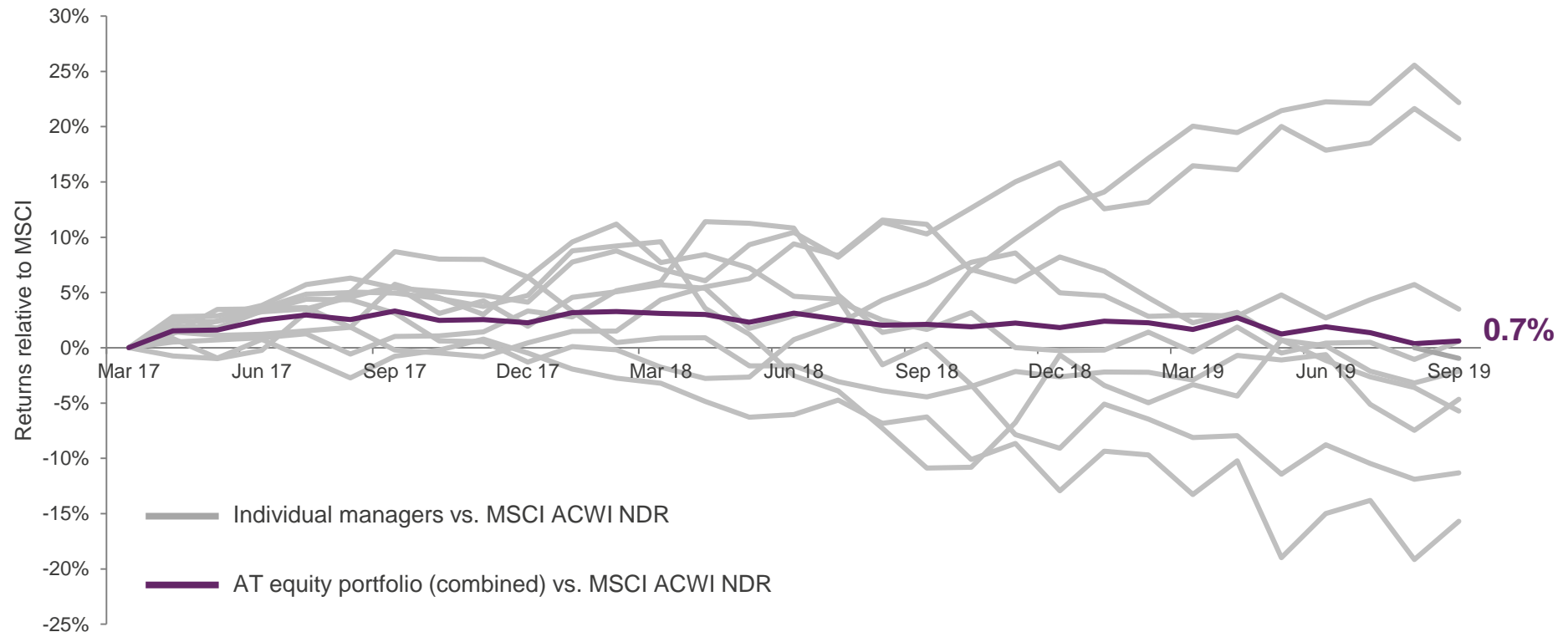
# HIGH CONVICTION AND HIGH ACTIVE SHARE DRIVE OUTPERFORMANCE



**Past performance is not a reliable indicator of future returns.**  
Source: Sebastian & Attaluri, Conviction in Equity Investing, The Journal of Portfolio Management, Summer 2014  
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# DIVERSIFIED HIGH CONVICTION DELIVERS SMOOTHER RIDE

CUMULATIVE PERFORMANCE FROM WILLIS TOWERS WATSON INCEPTION<sup>1</sup> TO 30 SEPTEMBER 2019



**Past performance is not a reliable indicator of future returns.**

Source: Investment Performance data is provided by BNY Mellon Performance & Risk Analytics Europe Limited, Morningstar and MSCI Inc. Individual manager and Alliance Trust returns are benchmarked against MSCI All Country World Index NDR (Net Dividends Reinvested). Alliance Trust equity portfolio returns are gross of fees. The Ongoing Charges Ratio is approximately 0.65% based on net assets as at 31 December 2018. Source: Willis Towers Watson. Data sourced 10 October 2019.

<sup>1</sup>01/04/17

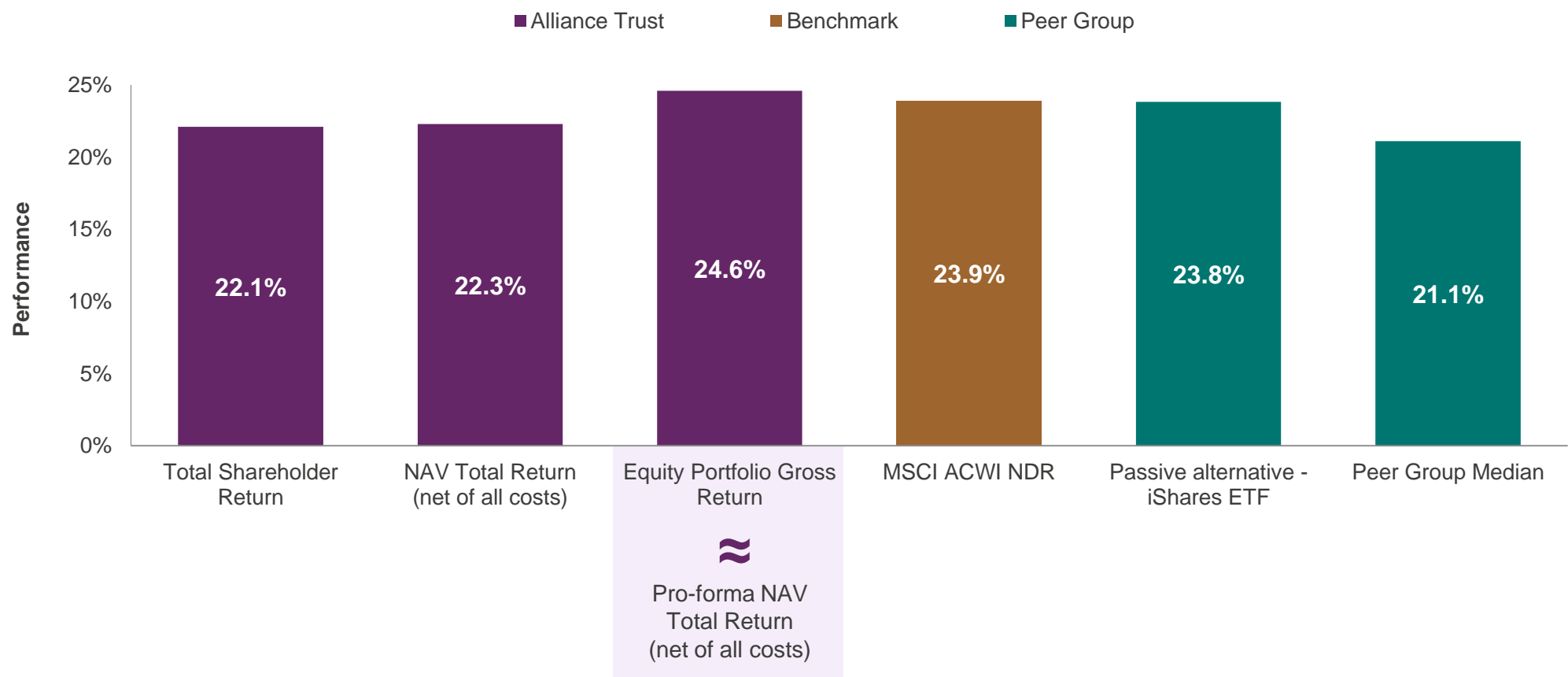
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WillisTowersWatson

AllianceTrust  
INVESTING FOR GENERATIONS

# PERFORMANCE SUMMARY

PERFORMANCE FROM 1 APRIL 2017 TO 30 SEPTEMBER 2019

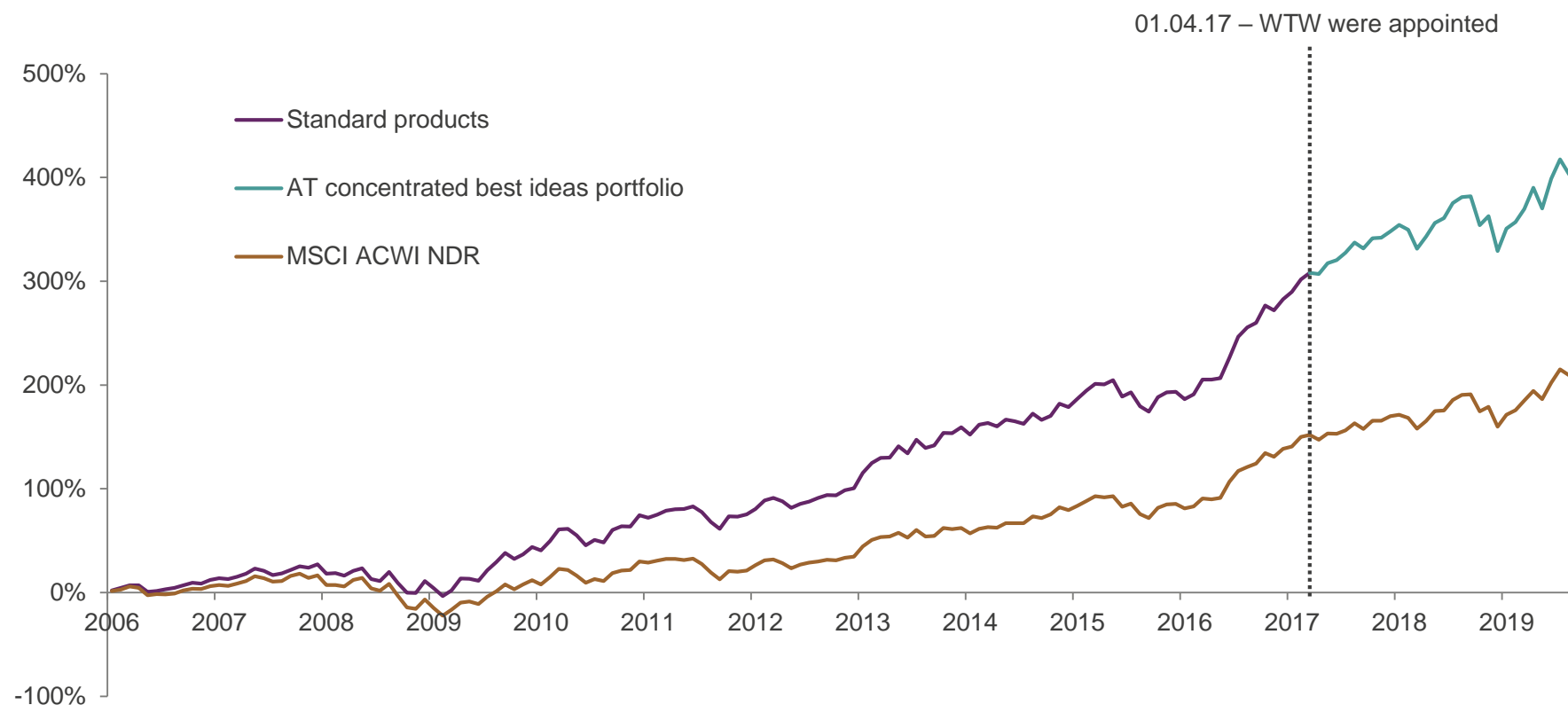


**Past performance is not a reliable indicator of future returns.**

Notes: All data is provided as at 30 September 2019. All figures may be subject to rounding differences. The benchmark shown is the MSCI ACWI Net Dividends Reinvested. Sources: Investment Performance data is provided by BNY Mellon Performance & Risk Analytics Europe Limited, Morningstar and MSCI Inc; NAV Total Returns are after all manager fees (including Willis Towers Watson's fees) and allow for any tax reclaims when they are achieved. NAV Total Return figures are based on NAV including income with debt at fair value. Alliance Trust equity portfolio returns are gross of fees. The Ongoing Charges Ratio is approximately 0.65% based on net assets as at 31 December 2018. Peer Group Source: Morningstar and Canaccord. Notes: All figures are measured since 1 April 2017, gross of fees. The peer group is the Morningstar universe of 306 UK retail global equity funds (open ended and closed ended). P.a. outperformance calculated arithmetically.



# UNDERLYING MANAGER PERFORMANCE OVER A LONG TIME HORIZON



**Figures refer to simulated past performance. Past performance is not a reliable indicator of future returns.**

Source: eVestment and BNY Mellon. All data as at 30 September 2019. Methodology: All managers are initially equally weighted, apart from GQG EM which is set at 5%. Portfolio is rebalanced at end of each calendar year and when a new manager's product became available for inclusion. Minimum five managers for strategy inception. Active managers' fee assumption is 0.65% pa (i.e. standard product fees). Cost of trading is assumed to be charged at each rebalance point at a rate of 0.5%. All returns are in GBP.

# WILLIS TOWERS WATSON – BUILDING ON A STRONG TRACK RECORD

## Example 1

ADVISORY CHARITABLE  
FOUNDATION CLIENT

**+2.7% pa\***

net of manager fees over most recent 10 years  
available

Simulated performance vs MSCI All Country World NDR Index  
from 1 July 2009 to 30 June 2019

\* Performance is simulated using the actual returns for the relevant subset of the Foundation's investments

\*\* Not available to retail investors

## Example 2

TOWERS WATSON GLOBAL  
EQUITY FOCUS FUND

**+1.4% pa\*\***

Net of underlying manager fees and fund costs  
since inception

Performance vs MSCI World NDR Index since Fund's  
inception on 17 August 2015 to 30 June 2019

**Positive long-term track record with similar equity portfolios**

**Simulated performance and past performance are not reliable indicators of future returns. The returns may increase or decrease as a result of currency fluctuations.**

Notes: All data is provided as at 30 June 2019 unless otherwise stated. All figures may be subject to rounding differences. The TW Global Equity Focus Fund data sourced from Northern Trust International Fund Administration Services (Ireland) Limited and MSCI World data from MSCI Inc, as at 30 June 2019. The Towers Watson Global Equity Focus Fund (a Sub-Fund of the Towers Watson Common Contractual Fund) was created by way of a Scheme of Amalgamation with the Towers Watson Global Equity Fund (a Sub-Fund of Towers Watson Investment Management Ireland 1 plc) on 21 March 2017. Performance is shown from the inception of the Towers Watson Global Equity Fund (a Sub-Fund of Towers Watson Investment Management Ireland 1 plc) on 17 August 2015 to 20 March 2017 for Z Share Series (USD), sourced from BNY Mellon Fund Services (Ireland) Limited. From 21 March 2017, performance shown is for Non-Treaty USD Z Units of the Towers Watson Global Equity Focus Fund (a Sub-Fund of the Towers Watson Common Contractual Fund), sourced from Northern Trust International Fund Administration Services (Ireland) Limited. The Z Share Series and Z Units do not bear TWIM management fees. Fee paying "A" Units bear management fees of 25bps.

The performance shown for the Advisory charitable foundation client is the equally weighted combination of all managers that Willis Towers Watson has proposed to the client that the client has hired, at various inception dates, to manage a concentrated portfolio. The performance data is net of manager fees and expenses and supplied by the foundation's custodian, IFS State Street, and calculated by Willis Towers Watson. MSCI All Country World Index NDR data is supplied by MSCI Inc. Data is for the 10 years to 30 June 2019, the latest date with available data.

# ENGAGING WITH COMPANIES TO IMPROVE OUTCOMES

HERMES EOS



## HERMES EOS CREDENTIALS<sup>1</sup>

- ✓ \$496bn of assets under advice invested in >10,000 companies worldwide
- ✓ 14+ years of experience
- ✓ Global team of 21 professionals
- ✓ Engaged with 746 companies on 2,084 issues during 2018



## SERVICES PROVIDED

Corporate engagement

Voting

Public policy

Covering a wide range of issues including:

Climate change

Executive remuneration

Human rights

Cyber security



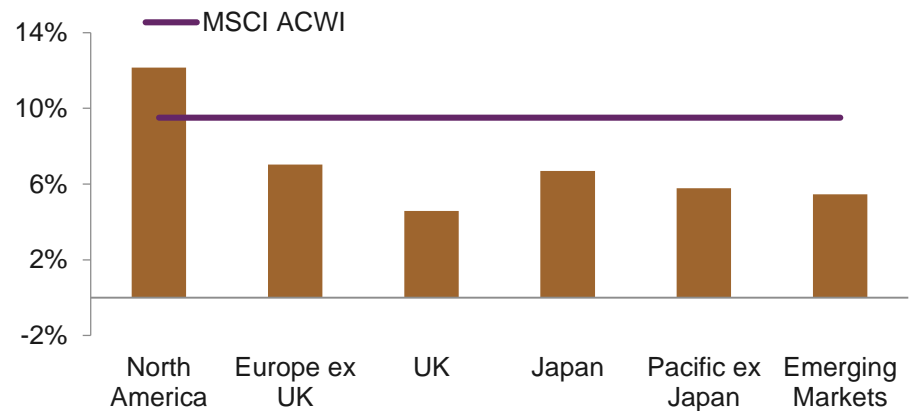
## BENEFITS

- ✓ Protect and enhance performance
- ✓ Align management with investors
- ✓ Drive industry improvements for a better functioning investment system

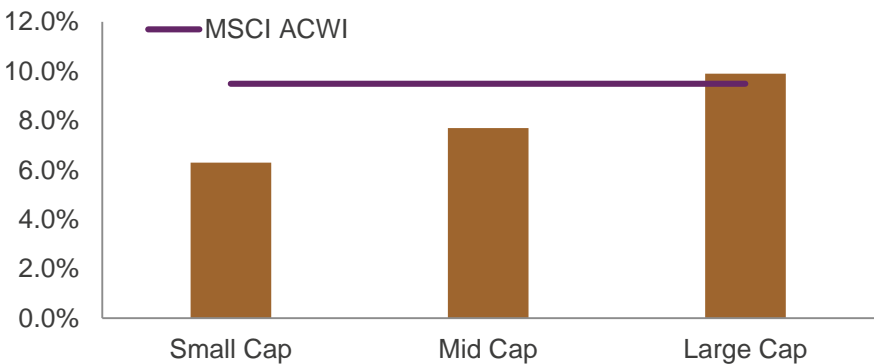
<sup>1</sup>Source: <https://www.hermes-investment.com> as 31 December 2018. EOS = Equity Ownership Services  
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# MARKET DRIVERS SINCE INCEPTION

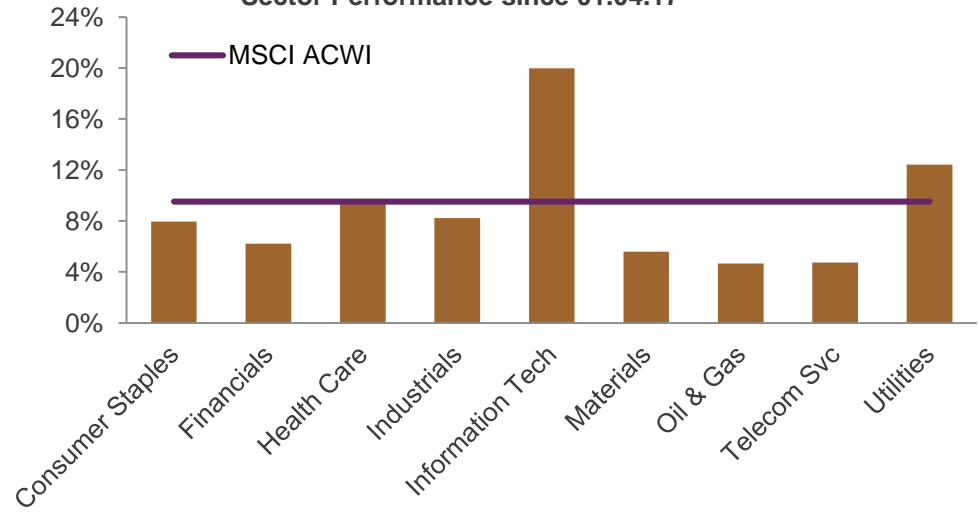
Regional Performance since 01.04.17



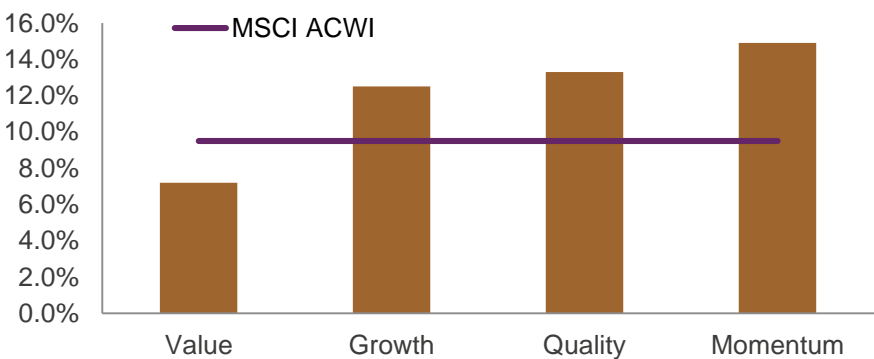
Size Performance since 01.04.2017



Sector Performance since 01.04.17



Style Performance since 01.04.2017








Past performance is not a reliable indicator of future returns.






Source: MSCI, GBP Total Returns, Unhedged. As at 30 September 2019.

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# TOP TEN RELATIVE HOLDINGS

AS AT 30 SEPTEMBER 2019

					
Country of Listing	United States	United States	Netherlands	India	United States
Sector	Communication Services	Financials	Consumer Staples	Financials	Information Technology
Number of stock pickers	5	1	2	2	1
Relative position to the MSCI ACWI	+2.3%	+1.4%	+1.4%	+1.3%	+1.3%

					
Country of Listing	Ireland	United States	United States	United States	United States
Sector	Industrials	Consumer Staples	Financials	Healthcare	Materials
Number of stock pickers	1	3	2	1	1
Relative position to the MSCI ACWI	+1.0%	+1.0%	+1.0%	+1.0%	+0.9%

Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only.

Source: Willis Towers Watson, September 2019.

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# BENEFITS OF THE NEW APPROACH

## BETTER THAN A TRADITIONAL SINGLE MANAGER APPROACH BY VIRTUE OF...

- No key man/firm risk
- Focus on stock selection as the key return driver
- Not wedded to a single style, hence less volatile relative performance

## BETTER THAN A TRADITIONAL MULTI- MANAGER APPROACH BY VIRTUE OF...

- High-conviction approach boosts return potential
- Truly global customised portfolio, not off the peg
- Direct communication from underlying managers
- Lower cost
- Integrated Environmental, Social and Governance risk management and stewardship





October 2019

# FPA – ALLIANCE TRUST

# FIRM OVERVIEW

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## PROFILE

- Founded in 1954
- Located in Los Angeles, California
- Approximately \$28 billion in assets under management across equity, fixed income and multi-asset investment strategies
- 85 employees, including 32 investment professionals

## CULTURE

- Independently owned
- Organized to promote independent thought and process
- Willingness to limit assets under management to maximize investor returns

# TEAM BIOS



**PIERRE O. PY**

- Managing Director, Portfolio Manager, and Investment Analyst. Joined FPA in 2011
- Formerly a Sr. International Investment Analyst at Chicago-based value manager Harris Associates LP. Previously an Analyst in Principal Investing at Goldman Sachs and in Investment Banking at Salomon Brothers
- MIM - Grande Ecole at HEC Paris with Specialization in Finance, Tax Strategy and International Law. MBA from Harvard Business School. LLM in International Business and Tax Law. Former student of Paris Institute of Political Studies



**GREGORY A. HERR, CFA**

- Managing Director, Portfolio Manager, and Investment Analyst. Joined FPA in 2007
- Formerly a Senior Research Analyst at Vontobel Asset Management, Inc. Previously Vice President at Sanford C. Bernstein & Co., LLC, and Assistant Vice President at Bankers Trust Company
- Bachelor's degree in Art History from Colgate University



**JASON DEMPSEY, CFA**

- Senior Vice President and Investment Analyst. Joined FPA in 2013
- Formerly Research Analyst at Artisan Partners. Previously an Analyst at Deccan Value Advisors LP
- Taught at Ecole Normale Supérieure in Paris. Bachelor's degree in Rhetoric at University of California, Berkeley. Doctorate in Rhetoric and French language from Université de Paris IV-Sorbonne



**JOHN HARRIS, CFA**

- Vice President and Investment Analyst. Joined FPA in 2017
- Formerly a Research Associate at Brandes Investment Partners
- Bachelor's degree in Business Economics from University of California, Santa Barbara



**JOHN MADDEN**

- Vice President and Investment Analyst. Joined FPA in 2016
- Formerly a Research Analyst at NWQ Investment Management and a Junior Equity Analyst at Tradewinds Global Investors
- Bachelor's degree in Economics from University of Notre Dame

# INVESTMENT PHILOSOPHY AND CRITERIA

## LONG-TERM INVESTORS WITH A STRONG BIAS TOWARDS QUALITY

Look for investment candidates that demonstrate the following quality characteristics:

### ROBUST BUSINESS MODELS:

- Lend themselves to research and appraisal
- High barriers to entry/low risk of disruption
- Favorable market/competitive advantage
- Well-positioned within value chain
- Industry and company with staying power

### FINANCIALLY STRONG:

- High returns on capital
- Attractive free cash flow generation profile
- Conservative balance sheet

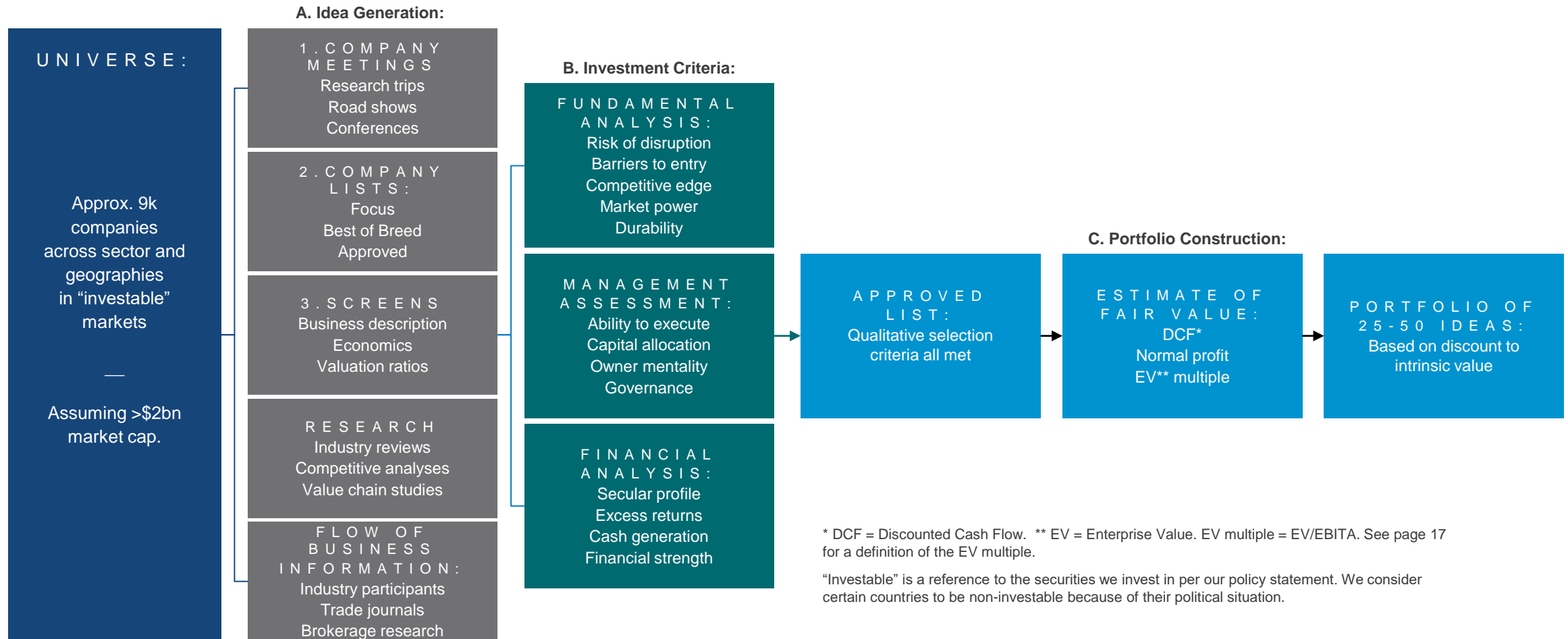
### WELL RUN:

- Ability to execute through difficult times
- Allocate capital in value-creative manner
- Owner oriented/Alignment of interests
- Sound corporate governance

Business quality alone is not sufficient for purchase as new investments must also have a share price that represents what we believe to be an attractive discount to our assessment of intrinsic value

# INVESTMENT PROCESS

STRUCTURED, CONSISTENT SELECTION DISCIPLINE TO FUNNEL IDEAS INTO THE PORTFOLIO:



# CASE STUDY:

## INDUSTRIA DE DISEÑO TEXTIL SA

### LEADING GLOBAL FASHION APPAREL RETAILER

- Based in Spain. >7,000 stores
  - Fast fashion follower with customer feedback loops
  - Centralized operation – design, manufacturing, distribution
  - Grown sales and operating profit 8-9%/avg. p.a. (over the past 5 years)\*
  - Profit margins high vs. competitors because of scale and fast supply chain\*
  - Attractive profit margins, negative working capital and moderate investment needs produce 50% RoCE\*
  - Business highly cash generative. Balance sheet has €6.8B cash. No net debt including operating leases^
  - Management extensive industry experience. Founder owns ~59% of shares
- Share price weakness (since its peak in June 2017) resulted from slowdown in growth and profitability
    - Threat of online competition concerns the market
    - FX impact
  - We believe the opportunity is attractive
    - Geographically diverse
    - Market share opportunities
    - Margin expansion
      - Economics strong for online sales
      - Reduced investments going forward
      - FX shift
    - Excess cash
  - Selling at 13.5x operating profit and a 6% free cash flow yield and a 3% dividend yield (as of September 30, 2019)^^^



Source: 2019 Annual Fiscal Year End (FYE) Report, FPA Calculations. Data as of FYE January 31, 2019. RoCE = Return on Capital Employed = (net operating profit after tax) / (PPE + intangible assets + working capital); PPE = property, plant & equipment.

^ Source: Company release. Data as of July 31, 2019. ^^ Source: Bloomberg, FPA Calculations. Operating profit multiple = (Enterprise Value (EV) / operating profit); Free cash flow (FCF) Yield = (FCF / EV); Dividend Yield = (Dividend per share/price per share). **For illustrative purposes only.** This case study is being shown only as an illustration of FPA's investment process and is not a recommendation for any particular type of security, transaction or sector, and was not chosen based on performance. It should not be assumed that any transaction in the future will be profitable. This investment example is being shown only as an example of what FPA is seeking to achieve in managing the strategy, but is not necessarily indicative of what has actually been achieved with all of the investments or will be achieved going forward. References to specific securities, transactions or sectors should not be construed as recommendations by FPA, or any fund managed by FPA. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities listed. Any information provided is not a sufficient basis upon which to make an investment decision. The information provided does not constitute, and should not be construed as, an offer or solicitation with respect to any securities, products or services discussed. Portfolio composition will change due to ongoing management of the Fund.

**Past performance does not guarantee future results and results may differ over future time periods. Please refer to the end of the presentation for important disclosures and definitions of key terms.**



# CASE STUDY:



## UBISOFT ENTERTAINMENT SA

### LEADING GLOBAL INDEPENDENT VIDEO GAME PRODUCER

- Based in France
- Broad portfolio of games created from company-owned IP
- Largest in-house game development staff in the world, 14k across >40 studios, 20 countries
- We think industry is attractive due to:
  - Large size based on long history of growth
  - Shift from physical to digital game sales
  - Supply/demand for high-quality (AAA) games favorable
  - Barriers to entry from scale
- Recurring portion of revenues increasing due to lengthening game lifecycles
- Attractive profit margins and limited tangible asset needs produces >50% RoCE\*
- Balance sheet strong with ND/EBITDA <1x; cash

conversion rate ~100%\*

- Long-tenured founders successfully built business and retain ~20% ownership
- Share price weakness (since its peak in July 2018) resulted from concerns about ability to reach forecast unit sales
- We believe the opportunity is attractive.
  - Growth prospects favorable
  - Potential margin improvement from digital growth and waning multi-year investment program
- Selling at 11x operating profit and a 6% free cash flow yield (as of September 30, 2019)\*\*



\* Source: 2019 Annual Fiscal Year End (FYE) Report, FPA Calculations. Data as of FYE March 31, 2019. RoCE = Return on Capital Employed = (net operating profit after tax / PPE + intangible assets + working capital); ND = Net Debt; EBITDA = Earnings before interest, taxes, depreciation, and amortization; Cash conversion rate = ((operating profit – interest – taxes – preferred dividends) / cash).

\*\* Source: Bloomberg, FPA Calculations. Operating profit multiple = (Enterprise Value (EV) / operating profit); Free cash flow (FCF) Yield = (FCF / EV).

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# RISK ASSESSMENT AND MITIGATION

WE VIEW RISK AS PERMANENT LOSS OF CAPITAL  
(OR A REDUCTION IN INTRINSIC VALUE EXCEEDING MARGIN OF SAFETY\*)

We seek to protect against potential impairments by focusing on:

## ASSET QUALITY

businesses with ability to  
withhold short-term  
dislocation

## SUPERIOR MANAGEMENT

teams that demonstrably  
excel as both operators  
and capital allocators

## STRONG BALANCE SHEETS

financial strength that  
protects the business in  
downturns and provides  
optionality

## MARGIN OF SAFETY

buy only when presented  
with a discount to intrinsic  
value




















## PROCESS AND EXECUTION

estimate intrinsic value  
after thorough proprietary  
fundamental research

We do not view investment risk as volatility in share prices.

\* **Margin of safety** is when a security is purchased at a discount to the portfolio manager's estimate of its intrinsic value. Buying a security with a margin of safety is designed to seek to protect against permanent capital loss in the case of an unexpected event or analytical mistake. Determining a company's "true" worth or intrinsic value is highly subjective. There is no guarantee that the methods used to evaluate intrinsic value will be accurate or precise or that an investment made using this principle will be successful. A purchase made with a margin of safety does not guarantee the security will not decline in price. **Intrinsic value** is the perceived or calculated value of an asset, an investment, or a company.

# PORTFOLIO AS OF SEPTEMBER 30, 2019

HOLDING	% ASSETS	DOMICILE	HOLDING	% ASSETS	DOMICILE
Ryanair Holdings	9.9%		Alphabet	5.3%	
GrandVision	8.5%		Oracle	5.1%	
Tencent Holdings	6.1%		Ambev	4.8%	
Ubisoft Entertainment	6.1%		AIB Group	4.5%	
Capgemini	6.1%		Dollar General	4.3%	
Inditex	6.0%		Melrose Industries	4.2%	
EssilorLuxottica	5.5%		Sulzer	3.9%	
PageGroup	5.5%		Philip Morris	2.1%	
Compagnie de Saint Gobain	5.4%		Nestle	1.6%	
Microsoft	5.3%				

Portfolio composition will change due to ongoing management of the portfolio. References to individual securities should not be construed as a recommendation to purchase or sell such securities, and any information provided is not a sufficient basis upon which to make an investment decision. Please refer to the end of the presentation for important disclosures.

# WINNERS AND LOSERS

CONTRIBUTORS	PERFORMANCE CONTRIBUTION	DETRACTORS	PERFORMANCE CONTRIBUTION
SINCE INCEPTION			
Microsoft Corporation	4.36%	AIB Group	-3.30%
Dollar General Corporation	3.90%	Ryanair Holdings	-2.15%
Edenred *	3.27%	Compagnie de Saint-Gobain	-1.15%
Koninklijke Philips *	2.29%	Ubisoft Entertainment	-0.91%
Prosegur Compania de Seguridad *	1.96%	Philip Morris International	-0.72%
	<b>15.78%</b>		<b>-8.23%</b>

\*Not currently held in portfolio

Inception date is April 11, 2017. Reflects the top contributors and top detractors to the portfolio's performance based on contribution to return since inception. Based on weighted contribution to the portfolio's since inception performance as of September 30, 2019. Contribution is presented gross of investment management fees, transactions costs, and portfolio operating expenses, which if included, would reduce the returns presented. The list of top and bottom 5 holdings should not be considered a recommendation to purchase or sell a particular security, represents only a small percentage of the entire portfolio and the securities noted may not remain in the portfolio at the time you receive this report. The information provided does not reflect all positions purchased, sold or recommended by FPA for the time periods noted. A copy of the methodology used and a list of every holding's contribution to the overall portfolio's performance during since inception is available by contacting FPA Client Service at [crm@fpa.com](mailto:crm@fpa.com). It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities listed.

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# SUMMARY

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## PHILOSOPHY

combination of business quality  
and discounted valuation

## BENCHMARK

agnostic approach allows us to go  
where the opportunities are

## FIRM STRUCTURE

promotes independent thinking and  
maximizes time spent on research

## LONG TIME HORIZON

permits appropriate evaluation of  
business value

## CONCENTRATED PORTFOLIO

of our best ideas is the result

# ALLIANCE TRUST FORUM PRESENTATION

GQG Partners LLC





# COMPETITIVE EDGE

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## CLIENT ALIGNMENT

Independent, majority  
employee-owned, and  
invested alongside you



## FORWARD- LOOKING QUALITY

Emphasising barriers to  
entry, sustainability,  
and headroom.



## RESEARCH MOSAIC

Seeking a distinctive  
insight advantage.

# FIRM OVERVIEW

## FIRM FACTS

AS AT 30 SEPTEMBER 2019

### Year Founded

2016

### Founders

CIO, Rajiv Jain, 26 years' experience  
CEO, Tim Carver, 24 years' experience

### Research Mosaic

12 analysts, traditional and non-traditional

### Regulatory AUM<sup>1</sup>

US\$26.8 billion

### Number of Associates

62

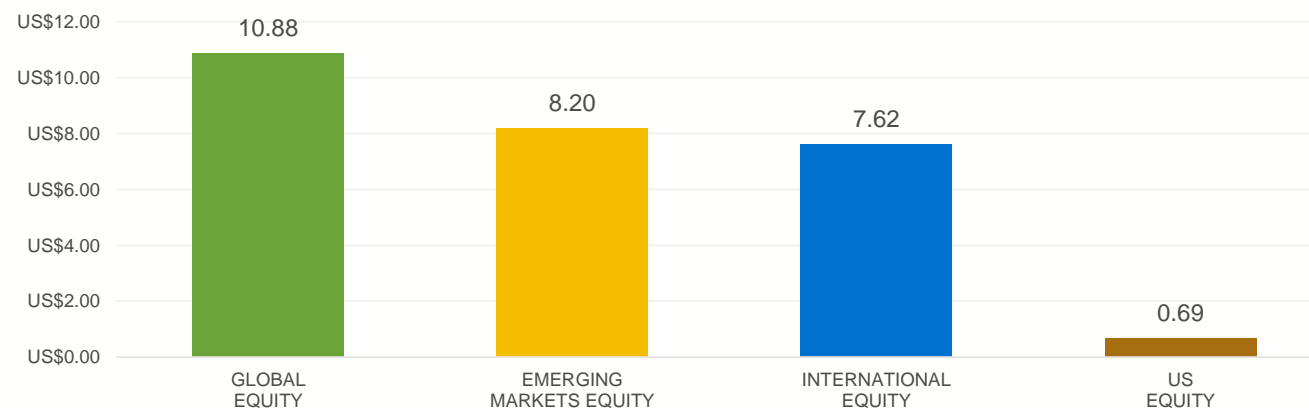
### Global Presence

Fort Lauderdale, FL  
London, United Kingdom<sup>2</sup>  
New York, NY  
Seattle, WA  
Sydney, Australia<sup>3</sup>

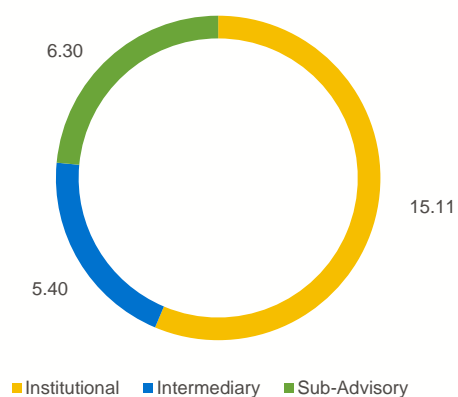
<sup>1</sup>Regulatory assets under management (AUM) represent both discretionary and non-discretionary funds.

<sup>2</sup>Subsidiary office of GQG Partners (UK) Ltd. <sup>3</sup>Subsidiary office of GQG Partners (Australia) Pty Ltd.

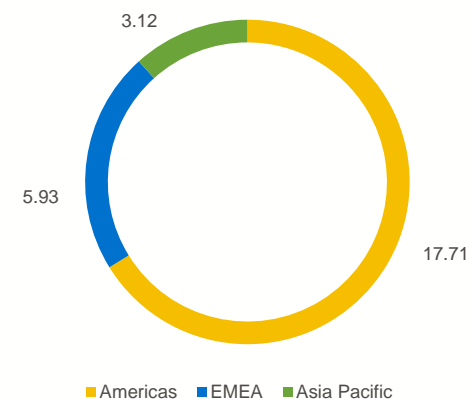
## REGULATORY AUM<sup>1</sup> BY STRATEGY IN US\$ BILLIONS



## REGULATORY AUM<sup>1</sup> BY CHANNEL IN US\$ BILLIONS



## REGULATORY AUM<sup>1</sup> BY GEOGRAPHY IN US\$ BILLIONS



# INVESTMENT RESEARCH MOSAIC





# INTERCONTINENTAL EXCHANGE, INC.

## WHY WE LIKE IT

### COMPANY DESCRIPTION

- Intercontinental Exchange (NYSE: ICE) is a vertically integrated operator of financial exchanges and provider of ancillary data products.
- The company is best known for its ownership of the New York Stock Exchange, but also runs a large derivatives exchange.
- The company's asset base is broad in nature, spanning across commodities, equities and fixed income.
- Beyond the exchanges, ICE's data and listings segment offers critically important equity and fixed-income market and pricing data.

### BARRIERS TO ENTRY

- The company has one of the world's deepest and broadest sources of data and pre-trade workflows leading to its 12 global exchanges across asset classes, providing an infrastructure that we believe is hard to replicate.
- ICE has 6 clearing houses and a global footprint providing both regulatory and management solutions as well as an advantage in developing new products for its customer base due to scale.

### LONG-TERM SUSTAINABILITY

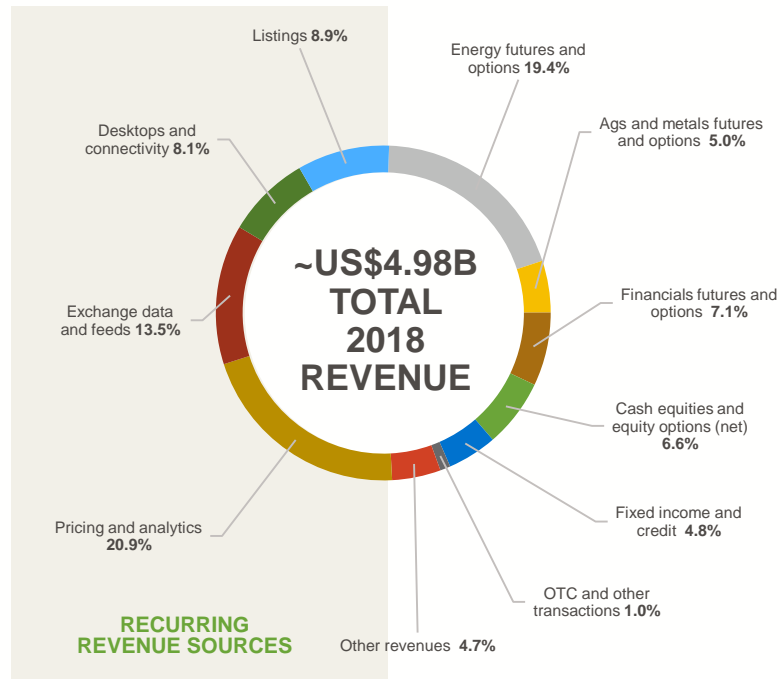
- Demand for ICE products should come from the impact of increasing compliance and regulation, demand for customised data solutions, the larger role being played by passive and automatic trading as well as the higher reliance on cybersecurity.
- The company's diverse exchanges and global footprint should help foster long-term growth and efficiency while the company's data, connectivity and pricing & analytics businesses provide an historically stable, recurring income stream, making up more than 50% of total revenues.
- Operating margins north of 50% allow for a strong capital return policy (~US\$1.75 billion in 2018 between share buy-backs and dividends).

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# INTERCONTINENTAL EXCHANGE, INC.

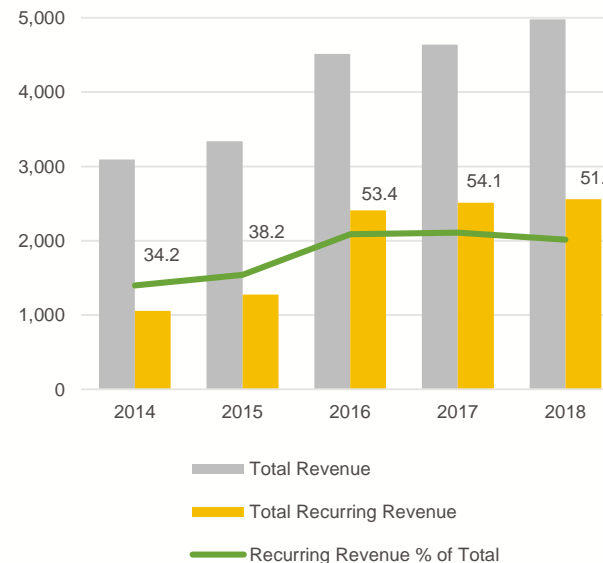
DIVERSIFIED PRODUCT MIX WITH HISTORICALLY  
HIGH RECURRING REVENUE

TOTAL PRODUCT MIX BY CATEGORY TYPE



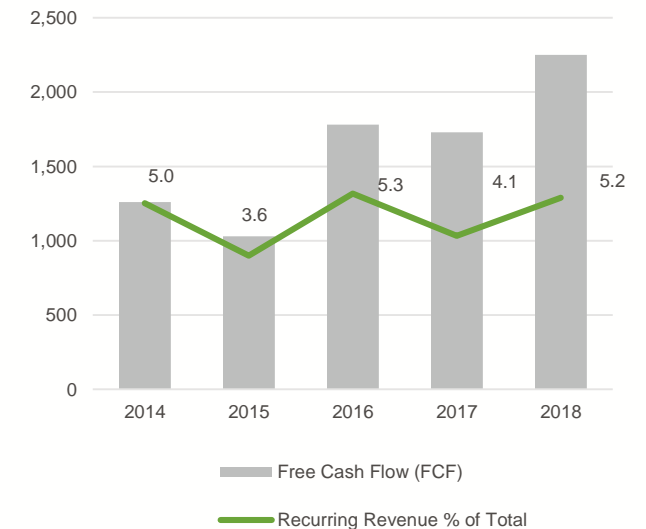
More than 50% of ICE's total revenue is from recurring/non-transaction based sources.

ICE TOTAL AND RECURRING REVENUE  
FY2014-2018 IN US\$ MILLIONS



Since CY 2014, total revenue and recurring revenue have grown at 10% and 19% per year, respectively.

ICE FCF AND FCF YIELD  
FY2014-2018 IN US\$ MILLIONS



Free cash flow (FCF) growth combined with an attractive FCF yield should allow for continued shareholder-friendly capital allocation.

Sources: *Intercontinental Exchange 2018 Annual Report*, company filings, and Morningstar Direct. Values are expressed in US dollars (US\$). **PAST PERFORMANCE MAY NOT BE INDICATIVE OF FUTURE RESULTS.** The holdings identified and described may not represent all securities purchased, sold, or recommended and no assumption should be made that such securities or future recommendations were or will be profitable in the future. Portfolio holdings are subject to change without notice.



# PT BANK CENTRAL ASIA TBK

## WHY WE LIKE IT

### COMPANY DESCRIPTION

- PT Bank Central Asia Tbk (Indonesia Stock Exchange: BBCA) is the third largest bank in Indonesia by assets.
- BBCA provides commercial and personal banking services through more than 1,000 branches and 17,000 ATMs across Indonesia.
- The company's loan base is diversified across both corporate and commercial loans, along with a full suite of consumer products.
- Beyond the bank's lending capabilities, the company also offers insurance, treasury and international banking services.

### BARRIERS TO ENTRY

- BBCA has a strong deposit franchise, leading to a current account-savings account ratio of 80%, which helps its funding costs. The company's broad network of branches combined with increasing digital channel dominance makes it one of the leading transaction banks.
- The bank's conservative underwriting standards have allowed it to maintain profitable growth with market-leading credit quality and better-than-average net interest margins.

### LONG-TERM SUSTAINABILITY

- Indonesia is rather under-banked relative to its Asian peers, and with real GDP growth north of 5%, loan growth should have plenty of room to expand.
- The company's continued access to low-cost funding should allow for continued double-digit returns on equity into the foreseeable future.
- Operating margins north of 50% allow for a strong capital return policy (~US\$1.75 billion in 2018 between share buy-backs and dividends).

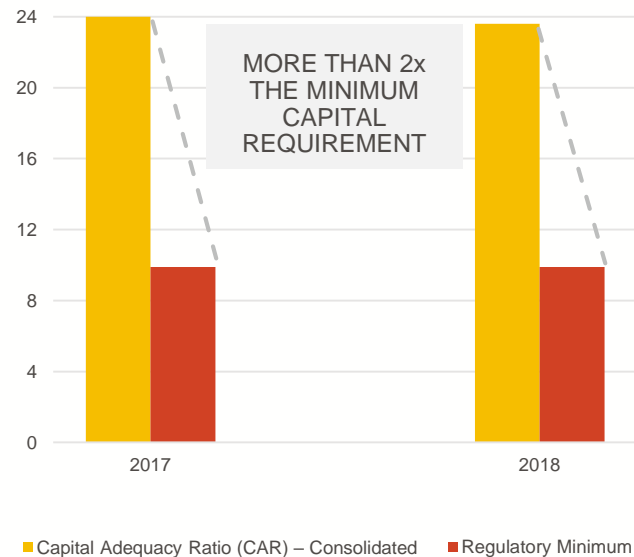
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# PT BANK CENTRAL ASIA TBK

## WHY WE LIKE IT

**CAPITAL ADEQUACY RATIO VERSUS REGULATORY MINIMUM % 2017-2018**



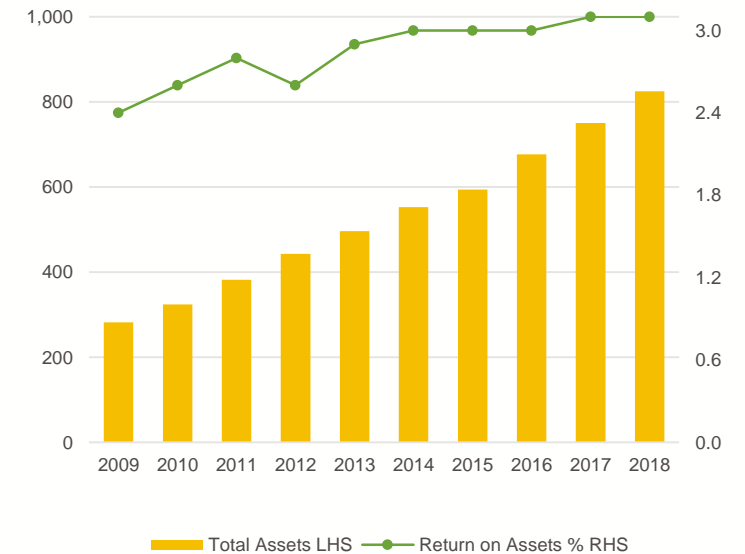
BBCA's total capital is more than 95% Tier 1 capital and the company maintains a strong capital cushion.

**BOOK VALUE PER SHARE AND RETAINED EARNINGS IN IDR MILLIONS**



Over the last 10 calendar years, the company has steadily grown book value per share (BVPS), almost entirely driven by an increase in retained earnings.

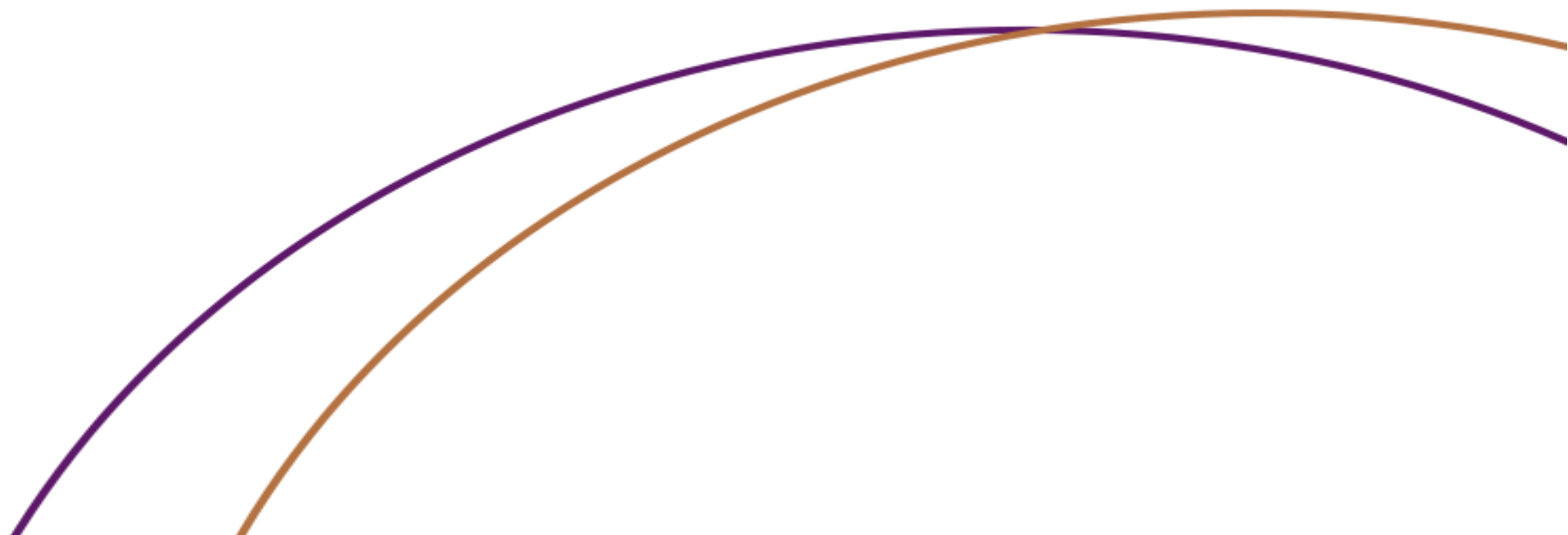
**TOTAL ASSETS IN IDR TRILLIONS<sup>†</sup> LHS AND RETURN ON ASSETS % RHS**



Despite strong asset growth over the last decade, the company's consistent profitability has lead to steady returns on assets.

Sources: Bank Central Asia 2018 Annual Report, company filings, and Morningstar Direct. Values are expressed in Indonesian rupiahs (IDR). **PAST PERFORMANCE MAY NOT BE INDICATIVE OF FUTURE RESULTS.** †Short scale trillions (10<sup>12</sup>). The holdings identified and described may not represent all securities purchased, sold, or recommended and no assumption should be made that such securities or future recommendations were or will be profitable in the future. Portfolio holdings are subject to change without notice.

# APPENDIX



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- Towers Watson Investment Management Limited ("TWIM") has approved this Financial Promotion.
- The value of all investments and the income from them can go down as well as up. This means you could get back less than you invested.
- Securities and derivatives trading in which the Trust engage are speculative and may involve a substantial risk of loss.
- Past performance is not a reliable indicator of future returns.
- Alliance Trust may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that a relatively small movement, down or up, in the value of the Trust's assets will result in a magnified movement, in the same direction, of that NAV. This may mean that you could get back nothing at all.
- The Trust has underlying holdings which are denominated in currencies other than Sterling and therefore may be affected by movements in exchange rates. Consequently, the value of these investments may rise or fall in line with exchange rates.

Calendar year performance	2014	2015	2016	2017	2018
Alliance Trust Equity Portfolio Return (%) <sup>1</sup>	7.2	6.1	23.3	17.9	-4.2
MSCI ACWI Total Return (%)	11.2	3.8	29.4	13.8	-3.3
Relative return (%)	-4.0	+2.3	-6.1	+4.1	-0.9

## Past performance is not a reliable indicator of future returns.

Source: Willis Towers Watson, February 2019. <sup>1</sup>Calculated before managers' fees and including the effect of the managers' cash holdings. In order to report the long-term record of the equity portfolio, the returns of the portfolio prior to its restructure early in April 2017 have been combined with the returns to date of the current portfolio.

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## Definitions

Dividend Yield is the ratio of a company's annual dividend compared to its share price. The dividend yield is an estimate of the dividend-only return of a stock investment. Assuming the dividend is not raised or lowered, the yield will rise when the price of the stock falls, and it will fall when the price of the stock rises.

EBITDA is earnings before interest, tax, depreciation and amortization and is a measure of a company's operating performance.

EBITA is earnings before interest, tax, and amortization and is a metric that measures a company's operating profitability without regard to financing costs of capital expenditures.

Enterprise Value (EV) is a measure of a company's total value. For the FPA Calculations herein, EV was calculated as:  $EV = \text{market capitalization} + \text{debt} + \text{minority interest} + \text{preferred shares} - \text{associates} - \text{cash}$ .

The EV/EBITA multiple serves as a proxy for how long it would take for an acquisition to earn enough to pay off its costs (assuming no change in EBITA).

Free Cash Flow represents the cash a company generates after cash outflows to support operations and maintain its capital assets. It excludes non-cash expenses on the income statement, but includes spending on property, plant and equipment as well as changes in working capital.

Free Cash Flow Yield is a financial solvency ratio that compares the free cash flow per share a company is expected to earn against its market value per share.

Market Capitalization is the current stock price multiplied by the number of outstanding shares.

Net Debt/EBITDA ratio is a measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. It shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.

RoCE stands for Return on Capital Employed; it is a financial ratio that determines a company's profitability and the efficiency the capital is applied.

Working Capital is current assets minus current liabilities.



# IMPORTANT DISCLOSURES

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equity index, which tracks stocks from 23 developed and 26 emerging markets countries. The index covers approximately 85% of the global investable equity opportunity set.

The **MSCI Emerging Markets (Net) Index** is a free float-adjusted market capitalisation index that consists of indices in 26 emerging economies. The index covers about 85% of the free float-adjusted market capitalisation in each country.

Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to nonresident institutional investors who do not benefit from double taxation treaties.

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CAT 1019PB (exp. 31-DEC-19)

The **MSCI All Country World (Net) Index (MSCI ACWI)** is a global



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