



Global Markets Division

Value Stock Portfolio

European Quality as a Return Driver

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Team Overview

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- Macroeconomic outlook
- Backtesting



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- Investment strategy
- Portfolio allocation



- Pursuing a BSc. in Economics
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- Macroeconomic analysis
- Company analysis



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Daniel Zettl
Analyst

- Strategy description
- Company Analysis



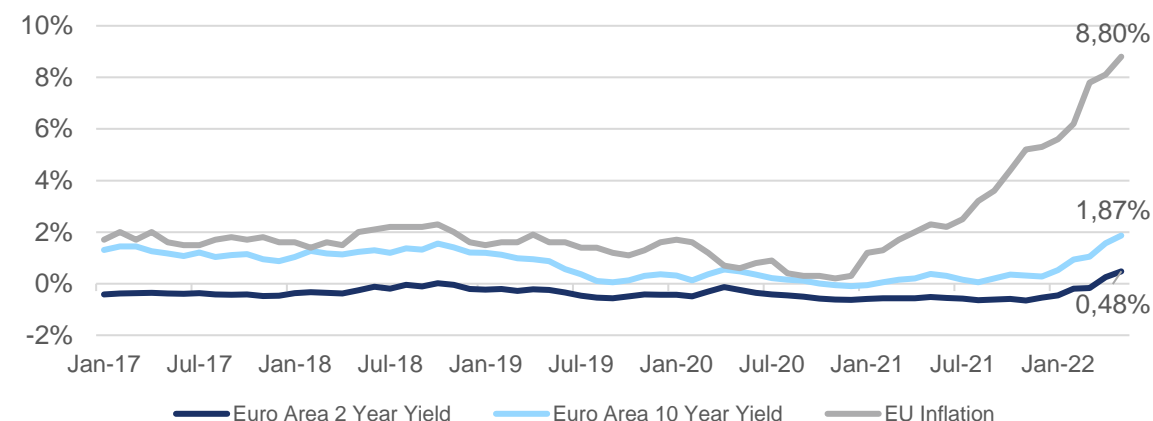
- Pursuing a BSc. in Business and Economics (WU)

- 1 **Macroeconomic Analysis**
- 2 General Overview
- 3 Portfolio Criteria
- 4 **Portfolio Allocation**
- 5 **Portfolio Performance**
- 6 Conclusion

Immediate Impact

- Quantitative Tightening against inflation
- End of an era of *cheap money*
 - Rate hikes
 - Discontinuing QE programs
- Value stocks provide **earnings stability drive returns**

Increase in Yields & Inflation



Sector Performance




MSCI Europe Sector returns YTD										
Communication Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Information Technology	Industrials	Materials	Real Estate	Utilities
-12%	-32%	-20%	17%	-20%	-16%	-37%	-30%	-18%	-33%	-17%

- Healthcare firms proved **resilient in volatile environments**
- Information Technology sector will **benefit from heavy automation of manufacturing**
- Consumer Discretionary highly **sensitive to business cycle**
- Industrials and Materials likely to **profit from climate transition**




Finding Core Value

General Overview




Equity Buy & Hold Strategy

-  Isolating **Core Value** as a return driver
-  Core Value is visible in **resilience of prices to current market conditions**
-  Valuation and **market timing** should be a **minor factor**




Format

-  15-25 Stocks equally weighted
-  Combined with **rolling put options** (15-20 Delta, 150-180DTE) on the EuroStoxx600
-  Rolling specifications: Take **profits on dips and roll** to next maturity

Criteria

-  Fundamental Analysis: Stock selection according to KPI's
-  ROCE, Leverage Ratio, Equity Ratio, FCFC as KPI's
-  Qualitative analysis of the business model
Finding reasons why selected companies will prevail in the future

Who could be interested?

-  **European stock market exposure** combined with risk management to **reduce volatility and drawdowns**
-  **Low Beta** Strategy. Fundamental **Value focus**
-  Strategy could be **expanded by specific additional factors**: ESG & Corporate Governance

What Does Value Look Like in the Financials?

Portfolio Criteria

	Geographic Location	Europe	<ul style="list-style-type: none"> Selection from European small, mid and large cap companies
	Industries	No specifications	<ul style="list-style-type: none"> All industries are considered Exception for Real Estate and Financials Debt being an essential part of their business model makes our requirements unsuitable Prefer industries which are less reliant on business cycle
	Market Capitalization	Minimum: € 1 Billion	<ul style="list-style-type: none"> Ensuring stock liquidity
	Net Debt / EBITDA	Maximum: 2.5x	<ul style="list-style-type: none"> Ability of a company to pay off debt Went for a low ratio in order to find stable companies
	Total Liabilities / Total Assets	Less or equal to 70%	<ul style="list-style-type: none"> Maximum debt ratio to assure stability
	ROCE	More or equal to 14%	<ul style="list-style-type: none"> Selecting companies that allocate their capital very lucratively
	Levered FCF / Net income	Minimum 50%	<ul style="list-style-type: none"> Companies must generate cash next to being profitable Cash can be re-invested

Screened 2013 – 2016
(only companies that fulfill the criteria for each year remain included)

Qualitative Analysis (MOAT)



Supply Side

Know-How / Technology

Company has superior technological capabilities or special know-how compared to their competitors.

Switching Costs

It is expensive for their customers to switch to another supplier.

Search Costs

Finding another supplier is associated with high costs

Demand Side

Brand

Consumers are loyal to the brand.
Brandname equals value.

Patents

Company has key patents which allow them to produce and supply certain goods exclusively.

Regulation

Beneficial regulatory framework which allows companies to exploit their market power.

General

Economies of Scale

Company can grow its business activities while increasing profitability

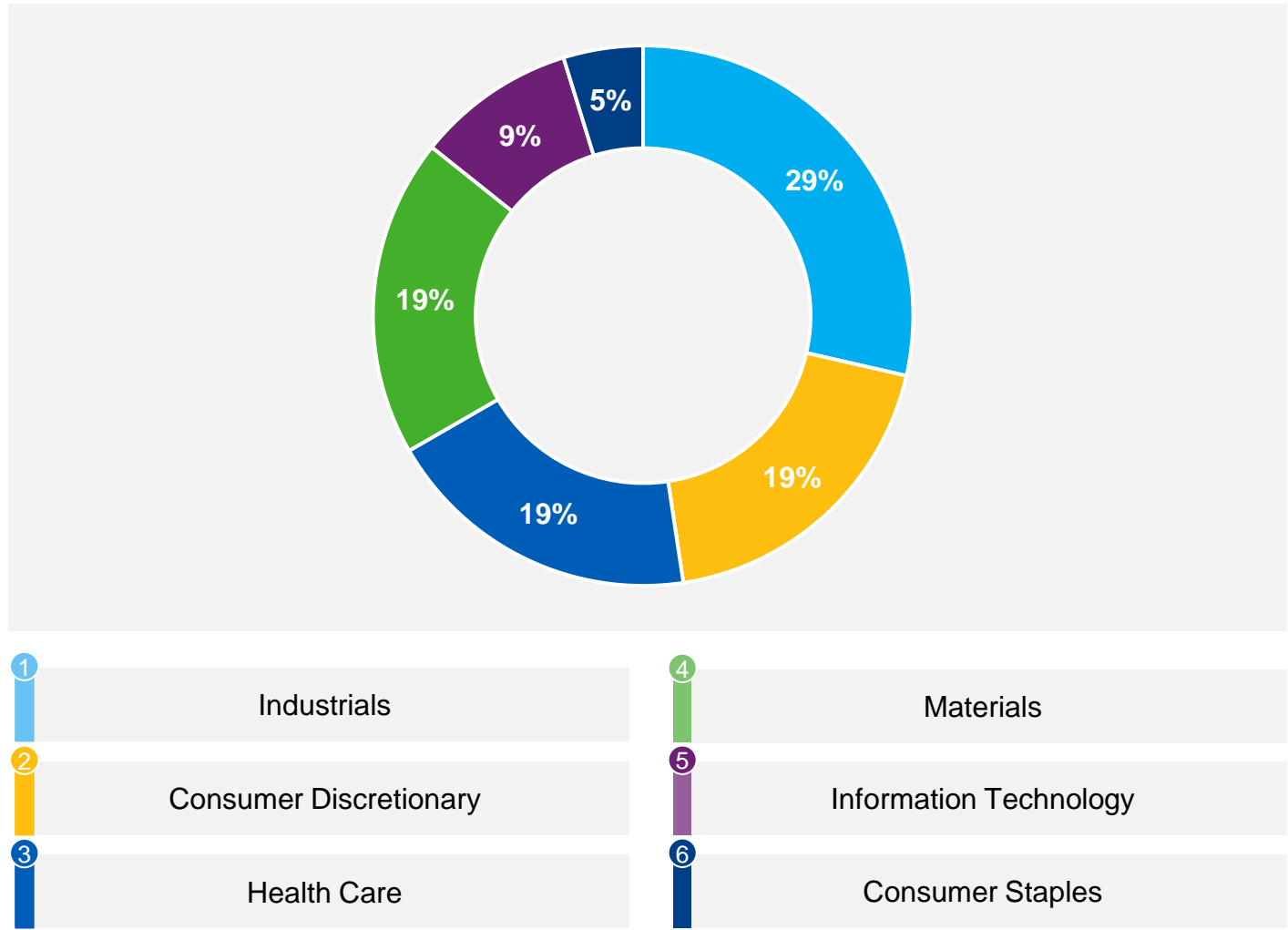
Networking Effects

The value of the product to customers increases with an overall increase of customers

ESG

Company shows no obvious shortcomings in their ESG policy

Portfolio Allocation



Countries



Country Allocation

Country	No. of companies
Switzerland	6
Denmark	4
Germany	3
France	3
Sweden	2
United Kingdom	2
Finland	1






















Profitability and Efficiency

Portfolio Allocation

	Allocation (%)	ROCE mean 2017	ROCE mean 2018	ROCE mean 2019	ROCE mean 2020	ROCE mean 2021
Industrials	29	26,0%	26,6%	23,9%	21,5%	24,6%
Consumer Discretionary	19	23,6%	23,4%	20,7%	17,6%	24,4%
Health Care	19	25,7%	25,8%	23,6%	21,2%	24,6%
Materials	19	28,0%	27,7%	24,6%	21,6%	26,1%
Technology	9	25,6%	25,0%	23,1%	21,5%	25,3%
Consumer Staples	5	17,9%	17,3%	16,8%	16,0%	23,3%
Average (mean)		24,2%	24,0%	21,9%	19,8%	24,7%

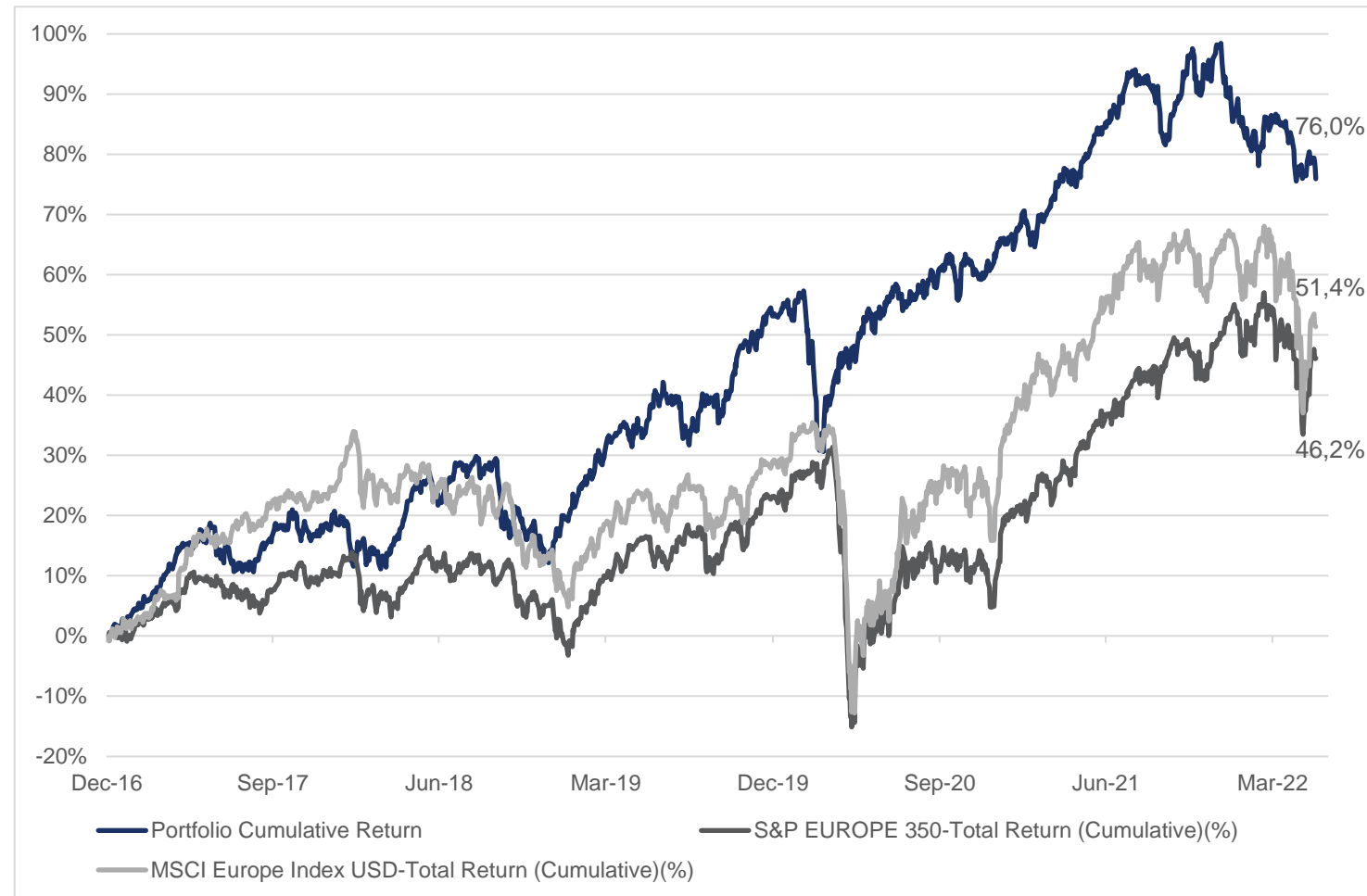
Where is the Competitive Advantage?

Portfolio Allocation

Company	Sector	MOAT	Country	Company	Sector	MOAT	Country
Atlas Copco AB	Industrials	Patents, Economies of Scale		Kuehne + Nagel International AG	Industrials	Brand, Know-How	
Chr. Hansen Holding A/S	Materials	Switching Costs, Know-How		L'Oréal S.A.	Consumer Staples	Brand, Luxury	
Coloplast A/S	Health Care	High Switching and Search Cost, Economies of Scale		LVMH	Consumer Discretionary	Brand, Economies of Scale	
Fielmann AG	Consumer Discretionary	Brand, Economies of Scale & Network Effects		Novo Nordisk A/S	Health Care	Technology/Know how, patents	
Forbo Holding AG	Consumer Discretionary	Economies of Scale		Novozymes A/S	Materials	Know how, Patents	
Fuchs Petrolub SE	Materials	Brand, Search Costs		Roche Holding AG	Health Care	Technology, Economies of Scale, Patents	
Geberit AG	Industrials	Brand		Rotork plc	Industrials	Tech/Know-How; Maybe Switching Costs	
Halma plc	Information Technology	Technology, Switch Costs, Patents		SAP SE	Information Technology	Software, Economies of Scale, Network effects, Switching Costs	
Hermès International	Consumer Discretionary	Brand, Luxury		SGS SA	Industrials	Know-How/Tech; Network effects, Searching Costs	
HEXPOL AB (publ)	Materials	Technology, Switching Costs		Sonova Holding AG	Health Care	Technology, Economies of Scale, Maybe: Patents	
KONE Oyj	Industrials	Brand, Tech, Know-How					

Higher Returns and Lower Risk

Portfolio Performance



Performance

	Portfolio	S&P EUROPE 350	MSCI Europe
Total Return	76%	51,4%	46,2%
Return p.a.	10,8%	7,1%	8,0%
YTD Return	-11,3%	-2,5%	-8,6%
MaxDD	-17,0%	-35,4%	-35,6%
Vol p.a.	11,1%	16,4%	17,8%
Sharpe Ratio	0,99	0,51	0,53

Results

- Outperformance on a risk adjusted basis
- Reduced Volatility and lower MaxDD
- Further reduction of risk with Rolling Puts (not included in Backtest)

Conclusion

Prospective Clients

- Retail Investors
 - Easy to implement
- Institutional Investors
 - Sufficient liquidity
 - Active Risk Management

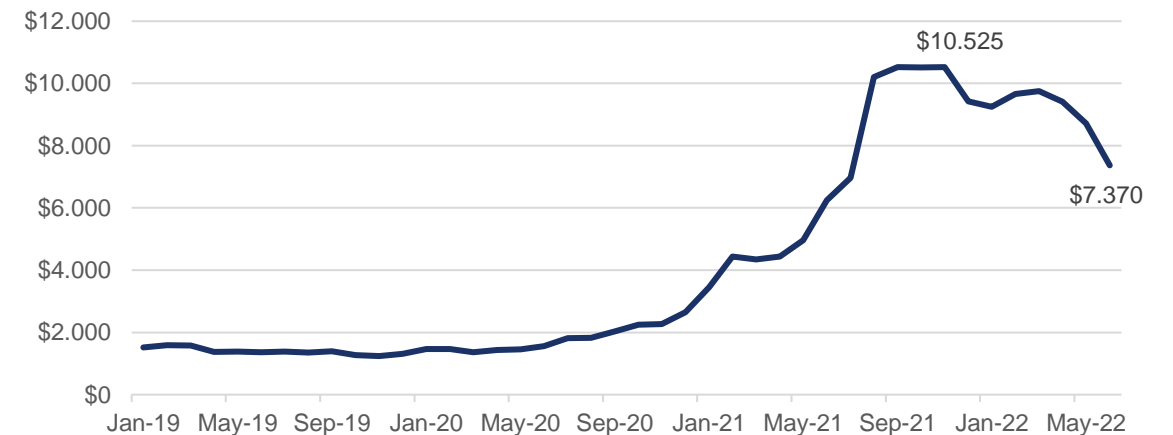
Performance Adaptations

- Active Management: Continuous screening of portfolio companies and a "wish list".
- Being more rigorous in the qualitative assessment.
- Relaxing the fundamental standards and including deep research of those preselected companies as the mode of selection

Macroeconomic indicators as controls for sector allocations

- Freight, fuel and labor costs
- Environmental regulation
- Supply chain problems
- Lower consumer demand

Global Shipping Rates (FBX)



Appendix

Sources

Source Name	Link	Date of Retrieval	Used for
Alliance Bernstein	https://www.alliancebernstein.com/corporate/en/insights/investment-insights/looking-beneath-the-turmoil-in-european-equity-markets.html	02/06/2022	Macroeconomic Analysis
Schroders	https://www.schroders.com/en/insights/economics/which-equity-sectors-can-combat-higher-inflation/	02/06/2022	Macroeconomic Analysis
Becker's hospital	https://www.beckershospitalreview.com/hospital-management-administration/supply-chain-issues-are-here-to-stay-health-leaders-share-predictions-strategies.html	02/06/2022	Macroeconomic Analysis
U.S. Bureau of Labor Statistic	https://www.bls.gov/ooh/healthcare/home.htm	02/06/2022	Macroeconomic Analysis
McKinsey	https://www.mckinsey.com/industries/advanced-electronics/our-insights/winning-the-race-with-inflation-the-pricing-opportunity-for-industrial-companies	02/06/2022	Macroeconomic Analysis

Sources

Source Name	Link	Date of Retrieval	Used for
Erste Asset Management	https://blog.de.erste-am.com/befuerchtungen-fuer-schwaecheres-wirtschaftswachstum/	02/06/2022	Macroeconomic Analysis
PwC	https://www.pwc.com/sg/en/publications/assets/future-of-the-logistics-industry.pdf	02/06/2022	Macroeconomic Analysis
EMR	https://www.expertmarketresearch.com/reports/logistics-market	02/06/2022	Macroeconomic Analysis
Freightos	https://fbx.freightos.com/	02/06/2022	Macroeconomic Analysis
Capital Cube	https://www.capitalcube.com	22/06/2022	Company Profiles
Company Websites		12/05/2022	Company Profiles
S&P Capital IQ	http://capitaliq.com	12/06/2022	Backtest
Craft.co	https://craft.co	22/06/2022	Company Profiles

Company Profiles and Performance I



Atlas Copco AB



Chr. Hansen Holding A/S



Company Profile

- Share price: **SEK 87.05**
- Atlas Copco AB is a Sweden-based industrial company. The Company offers customers compressors, air treatment systems, vacuum solutions, industrial power tools and assembly systems, and power and flow solutions. The Company divides its activities into four segments: Compressor Technique, Vacuum Technique, Industrial Technique and Power Technique.
- Competitors: Siemens, General Electric, Ingersoll Rand, Sulzer

Company Profile

- Share price: **DKK 491.50**
- Chr Hansen Holding A/S is a Denmark-based bioscience company that develops natural ingredient solutions for the food, nutritional, pharmaceutical and agricultural industries. The Company operates in Europe, North and South America, as well as Asia Pacific, Middle East and Africa.
- Competitors: AB Enzymes GmbH, Novozymes A/S, Koninklijke DSM, Dupont Industrial Bioscience, Biocatalysts Limited



Coloplast AS



Company Profile

- Share price: DKK 766.00
- Coloplast A/S is a Denmark-based company active within the healthcare sector. It is engaged in the development, marketing and sale of intimate healthcare products and services, targeting people with diseases of private and personal nature. The Company supplies products to hospitals, institutions as well as wholesalers and pharmacies.
- Competitors: Ampersand Biosciences, Visiomed Group, Janitri, Biomerica

Fielmann

Fielmann AG



Company Profile

- Share price: EUR 48.04
- Fielmann AG is a Germany-based company manufacturer of glasses, contact lenses and related eyewear products. The Company manufactures and sells various spectacles, including bifocal and varifocal optical glasses, sunglasses, spectacle frames and contact lenses. The Company operates through numerous subsidiaries and retailers located in Germany, Switzerland, Luxembourg, the Netherlands and Poland, among others.
- Competitors: ESSILOR CANADA, Shopko Optical, IRIS, FYidoctors

Company Profiles and Performance III



Forbo Holding AG



Company Profile

- Share price: CHF 1,256.00
- Forbo Holding AG is Switzerland-based producer of floor coverings, adhesives, power transmission and conveyor belt solutions. It operates in three business divisions: Flooring Systems, Bonding Systems and Movement systems. It operates through numerous subsidiaries located in Australia, Canada, Japan, India, Finland and Denmark, among others.
- Competitors: ENERGI Fenestration Solutions, Scaffolding Solutions, Keeley Companies, Brox



Fuchs Petrolub SE



Company Profile

- Share price: EUR 23.55
- Fuchs Petrolub SE is a Germany-based company engaged in the development, production and supply of lubricants and related products for industry. Its portfolio of products includes lubricants for a range of applications; mould release agents for concrete and cement casting; metalworking fluids; metal forming lubricants; corrosion preventives. The Company operates within three geographic segments: Europe; Asia-Pacific, Africa, and North and South America.
- Competitors: Braskem, Quaker Houghton, Croda International, Chemetall

■ GEBERIT

Geberit AG



● Halma

Halma plc



Company Profile

- Share price: CHF 457.40
- Geberit AG is a Switzerland-based provider of sanitary products and systems for the residential, commercial, new construction and renovation markets. It markets products under the Geberit brand and operates through three segments: Sanitary systems, Piping Systems and Ceramics. The Company owns approximately 40 production sites and operates through subsidiaries in over 40 countries.
- Competitors: Holcim Group, Georg Fischer, Bouwcenter Driessen, Bathworks

Company Profile

- Share price: GBP 19.45
- Halma plc is a United Kingdom-based life-saving technology company, operating through three segments. The Safety segment provides technologies that save lives, protect infrastructure and enable safe movement. The Environmental & Analysis segment provides technologies, which monitor and protect the environment and ensure the quality and availability of life-critical resources. The Medical segment provides medical technologies, which enhance the quality of patients' lives and improve the quality of care delivered by healthcare providers.
- Competitors: Danaher, Spectris, Renishaw, Stryker, Varian Medical Systems

Company Profiles and Performance V



Hérmes International



HEXPOL AB



Company Profile

- Share price: EUR 1,014.00
- Hermes International SCA is a France-based company specialized in the design, manufacturing, and marketing of luxury products. The Company reports its businesses into a number segments, including Leather Goods and Saddler, which includes bags, riding, diaries and small leather goods; Ready-to-wear and Accessories, belts, costume jewellery, gloves, hats and shoes. Apart from France, Hermes International SCA is present in other countries in Europe, Asia and the Americas, among others.
- Competitors: Pandora, Balenciaga, Burberry, Prada, Tiffany & Co.

Company Profile

- Share price: SEK 88.00
- Hexpol AB is a Sweden-based company engaged in the development, manufacture and marketing of polymer products. Its operations are divided into two business areas. The HEXPOL Compounding business area develops and manufactures advanced polymer compounds for demanding applications, and includes 25 production units with production, sales and development operations, The HEXPOL Engineered Products business area offers a combination of material and application technology in polymer materials and special components.
- Competitors: Borouge, Myers Industries, Recticel, Trelleborg, TeraPlast



Kone Oyj



KUEHNE + NAGEL

Kuehne + Nagel International AG



Company Profile

- Share price: EUR 44.74
- Kone Oyj is a Finland-based company which operates within elevator and escalator industry. The Company provides its customers with elevators, escalators, automatic doors and integrated solutions to improve the customer experience in and between buildings. The KONE business idea is to serve its customers by providing solutions throughout the entire lifecycle of the equipment, beginning from the installation of new equipment to the maintenance and modernization during their lifecycle and the full replacement of the equipment. The Company operates around the world.
- Competitors: thyssenkrupp, Schindler, Otis, Mitsubishi Electric

Company Profile

- Share price: CHF 218.00
- Kuehne + Nagel is a company that specializes in the field of integrated transport and logistics solutions. It provides sea and air freight forwarding, contract logistics, insurance as well as sea, air, and road logistics services. The company focuses on various industry sectors, including aerospace, automotive, industrial, oil and gas, pharma, retail, etc.
- Competitors: Rhenus, Bolloré, Agility Holdings, UPS, XPO Logistics, DSV, Wincaton

L'ORÉAL

L'Oréal SA



LVMH

LVMH



Company Profile

- Share price: EUR 316.95
- L'Oreal SA is a France-based cosmetics company. The Company owns a wide range of brands organized into four division: Consumer Products, L'Oreal Luxe, Professionals Products and Active Cosmetics. They include L'Oreal Paris, Maybelline New York, Garnier, Lancme, Yves Saint Laurent, Giorgio Armani, Kiehl's, Krastase, La Roche-Posay and SkinCeuticals, among others. It offers a wide range of products grouped into six business segments: Skincare, Makeup, Haircare, Hair Coloring, Fragrances and Other. The Company owns stores and ecommerce websites. It is active globally.

- Competitors: Yatsen Holding, Estee Lauder, Avon Products, Revlon, Coty

Company Profile

- Share price: EUR 551.70
- LVMH Moët Hennessy Louis Vuitton SE is a France-based luxury group active in six sectors: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, Selective Retailing and Other Activities. The Company is active worldwide.
- Competitors: Christian Dior, Burberry, Calvin Klein, Chanel

Company Profiles and Performance VIII



Novo Nordisk A/S



Novozymes A/S



Company Profile

- Share price: DKK 761.50
- Novo Nordisk is a healthcare company that designs and manufactures pharmaceutical products. It operates through two segments: Diabetes and Obesity care and Biopharm. The Diabetes and Obesity care segment covers insulin, GLP-1 and related delivery systems, oral antidiabetic products (OAD), obesity, and other serious chronic diseases. The Biopharm segment covers the therapy areas of haemophilia, growth disorders, and hormone replacement therapy.
- Competitors: Mankind Pharma, Abbott, Amgen, Gilead Sciences

Company Profile

- Share price: DKK 407.90
- Novozymes A/S is a Denmark-based biotechnology company engaged in the production and sale of industrial enzymes, microorganisms and biopharmaceutical ingredients. The Company operates in four geographical regions: Europe, Middle East & Africa (including Denmark), North America, Asia Pacific and Latin America. It develops and distributes solutions within the market areas agriculture, bioenergy, food & beverages, household care, leather, pharmaceuticals, forest products, textile and wastewater solutions.
- Competitors: BBKA Group, Lonza, Element Solutions, FMC, DuPont

Company Profiles and Performance IX



Roche Holding AG



Rotork plc



Company Profile

- Share price: CHF 305.85
- Roche Holding AG (Roche) is a research-based healthcare company. The Company's operating businesses are organized into two divisions: Pharmaceuticals and Diagnostics. The Pharmaceuticals Division consists of two business segments: Roche Pharmaceuticals and Chugai. The Diagnostics Division consists of four business areas: Diabetes Care, Molecular Diagnostics, Professional Diagnostics and Tissue Diagnostics. The Company develops medicines for various disease areas, including oncology, immunology, infectious diseases, ophthalmology and neuroscience.

- Competitors: Thermo Fischer Scientific, Leica Biosystems, Dexcom, GSK, Amgen

Company Profile

- Share price: GBP 2.46
- Rotork plc is a United Kingdom-based provider of flow control solutions for oil and gas, water and wastewater, power, chemical, process and industrial applications. The Company's segments include Oil & Gas, Water and Power, and Chemical Process & Industrial (CPI). The Company is manufacturing actuators and flow control equipment for every part of the water industry. The Company has manufacturing facilities in more than 20 locations and serves approximately 173 countries through a global services network.
- Competitors: ULVAC, Edwards Korea, Spirax-Secro Engineering, Spectris

Company Profiles and Performance X



SAP SE



Company Profile

- Share price: EUR 89.55
- SAP is a technology company that develops enterprise application software. It offers solutions covering various lines of businesses, including enterprise resource planning and finance, customer relationship management and customer experience, network and spend management, digital supply chain, HR and people engagement, and more. The company serves energy and natural resources, financial services, consumer, public services, automotive, aerospace and defense, and other industries.
- Competitors: Microsoft, IBM, Adobe, Salesforce, Oracle

Company Profile

- Share price: CHF 2,159.00
- SGS is a provider of inspection, verification, testing, certification, and quality assurance services. Its offering includes outsourcing, product testing, workforce training, verification, consultancy, and data analytics solutions. The company caters to agriculture, food, minerals, oil, gas, chemicals, retail, certification, business enhancement, industrial, health, transportation, and institutional markets.
- Competitors: BSI, Manpower Group, Bureau Veritas, Lloyd's Register



SGS SA



Company Profiles and Performance XI



Sonova Holding AG



Company Profile

- Share price: CHF 293.40
- Sonova Holding AG is a Switzerland-based company operating in the healthcare sector. The Company, along with its subsidiaries, designs, develops, manufactures, distributes and services hearing systems for adults and children with hearing impairment. The Company is active in two operating segments: the Hearing instruments segment includes the companies that are active in the design, development, manufacture, distribution and service of hearing instruments and related products, and the Cochlear implants segment includes the companies that are active in the design, development, manufacture, distribution and service of hearing implants and related products.
- Possible competitors: Medline Industries, WS Audiology, Stryker, Smith & Nephew