



**BLUEALPHA**

INVESTMENT MANAGEMENT

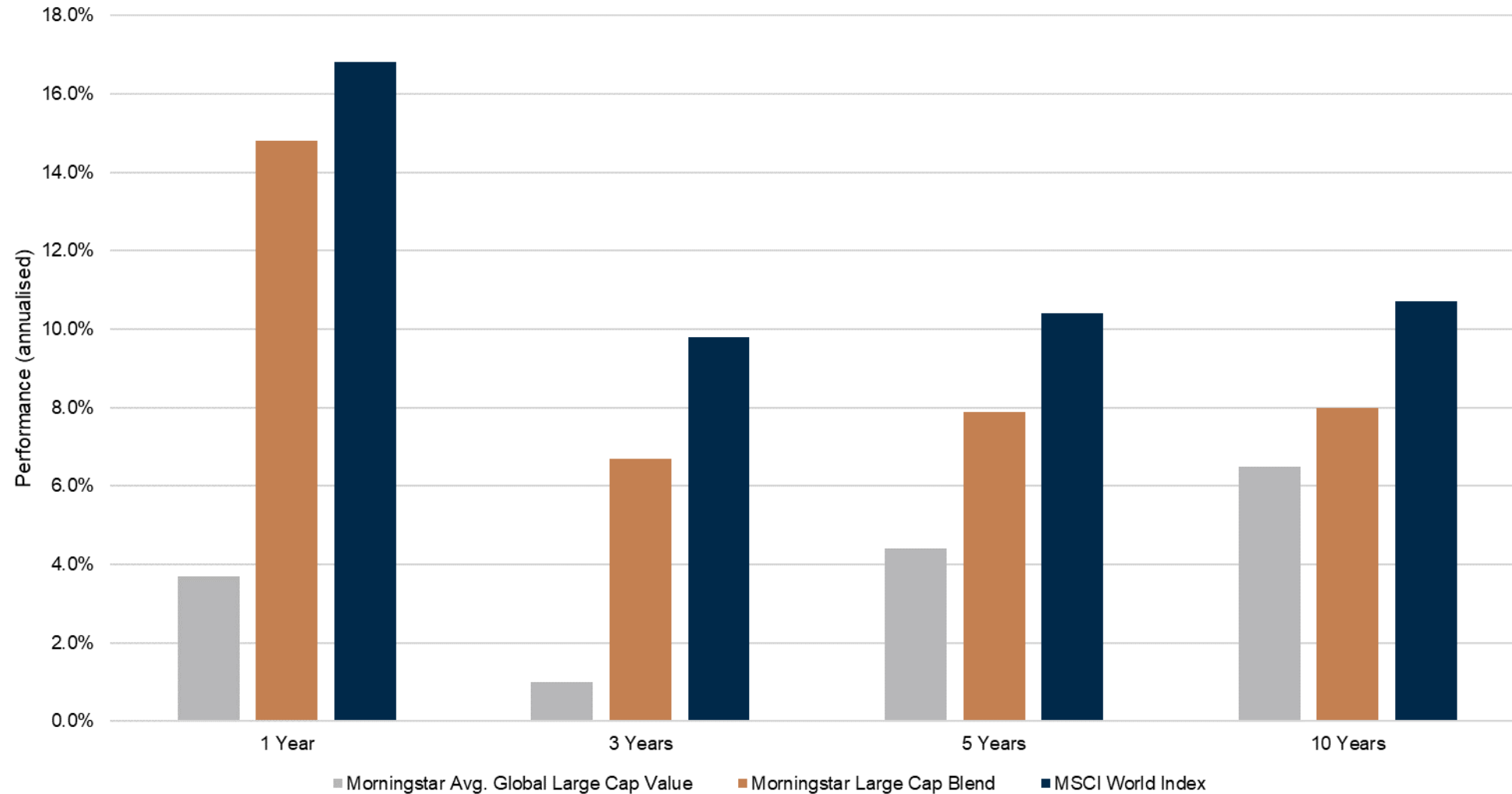
Active Returns through Active Risk Assessment

The “Free Lunch” Myth

BCI Global Investment Conference

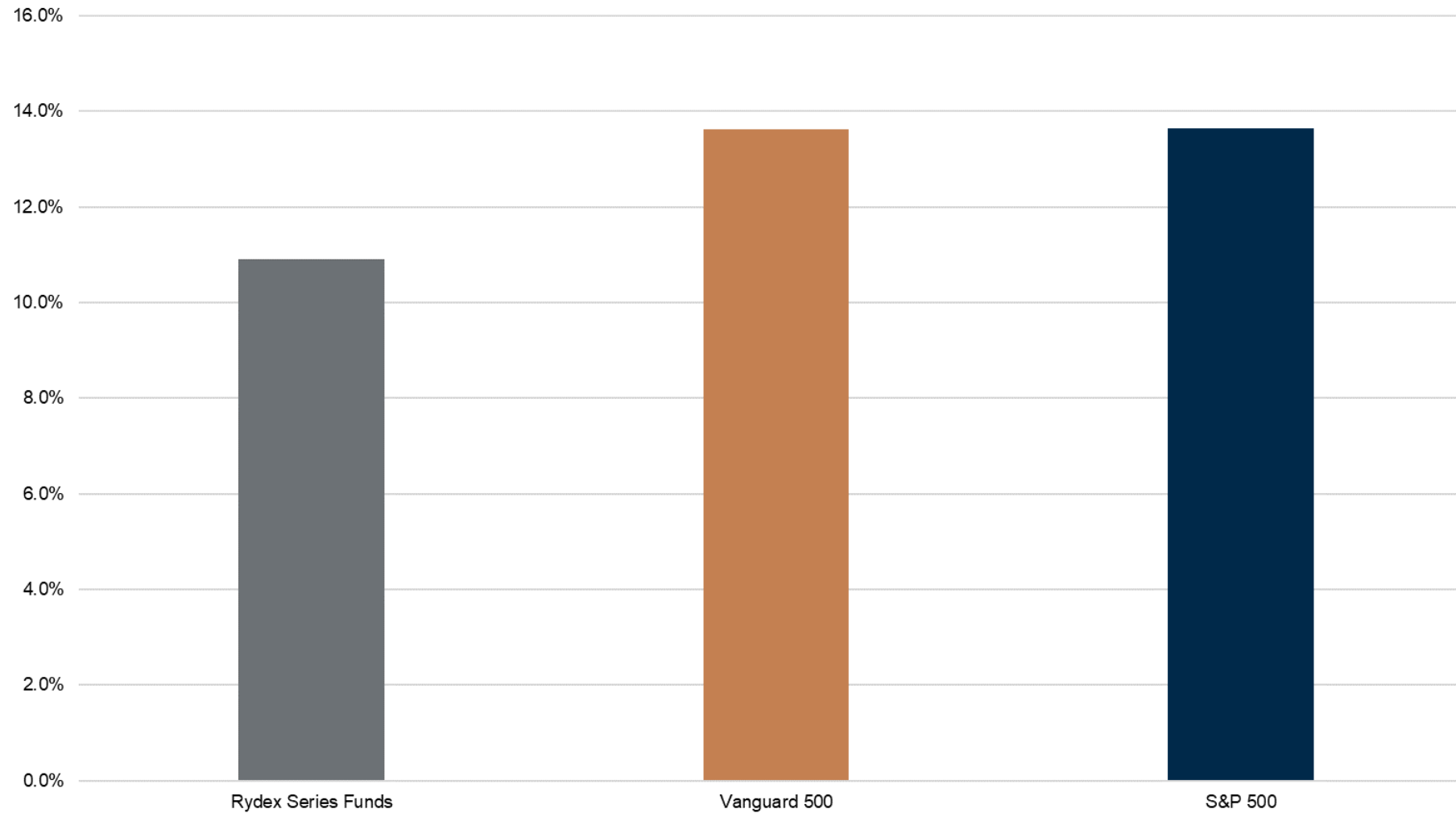
5<sup>th</sup> October 2020

# The only free lunch?



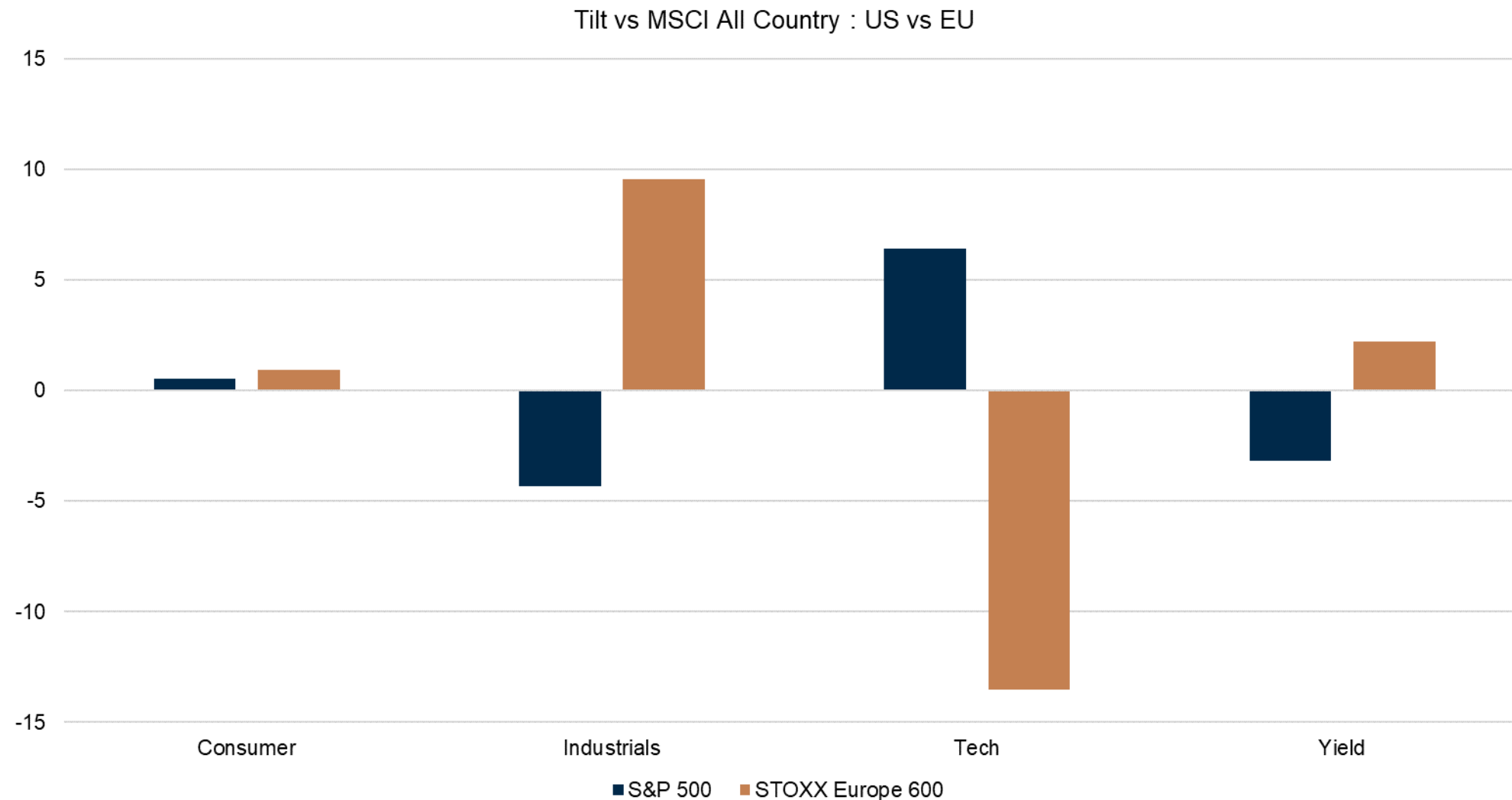
Source: Morningstar, Bloomberg

# Good and bad lunches



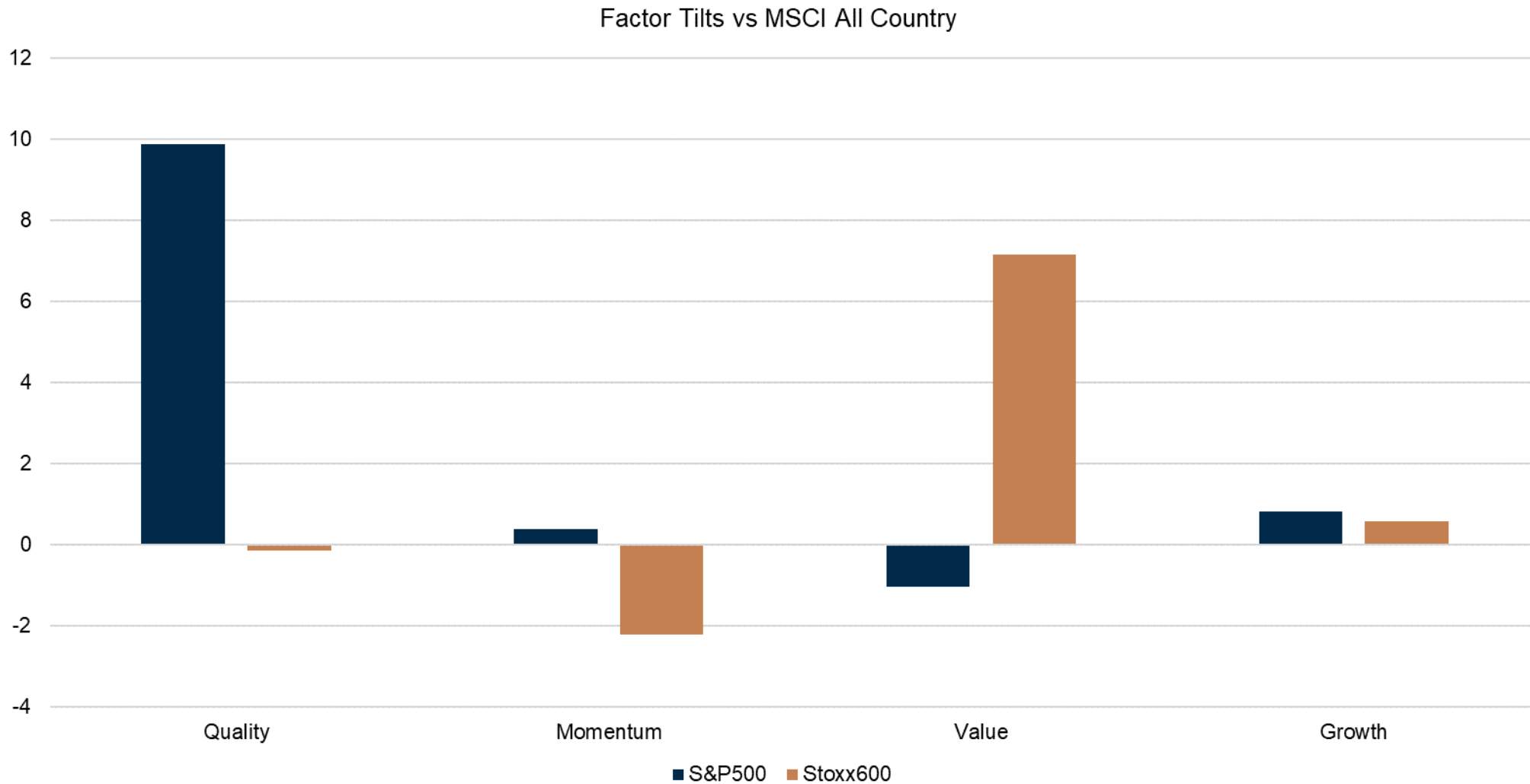
Source: Bloomberg

# The US is absurdly overvalued?



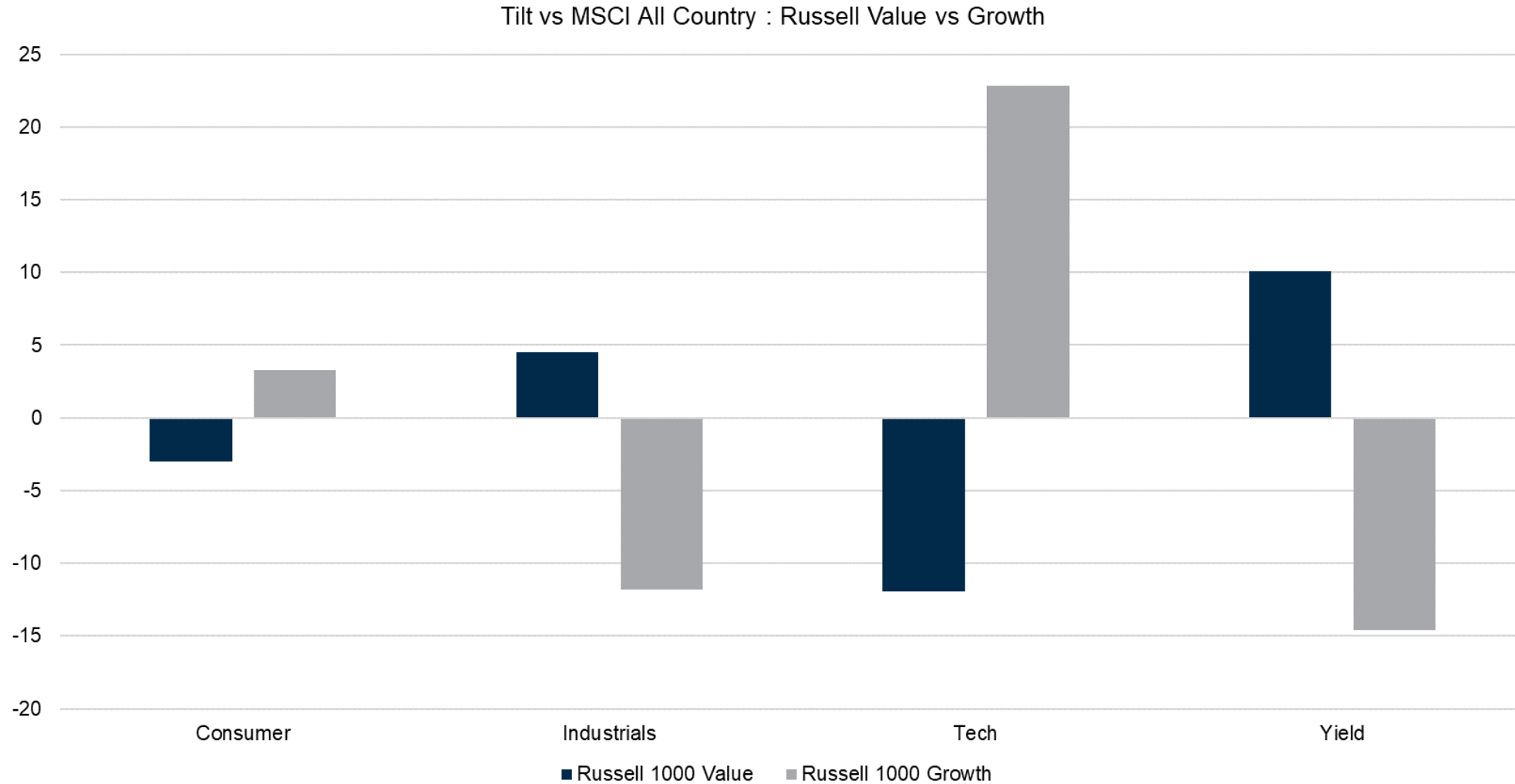
Source: Bloomberg, BlueAlpha Research

# You get what you pay for



Source: Bloomberg, BlueAlpha Research

# But it's time for value – or is it?

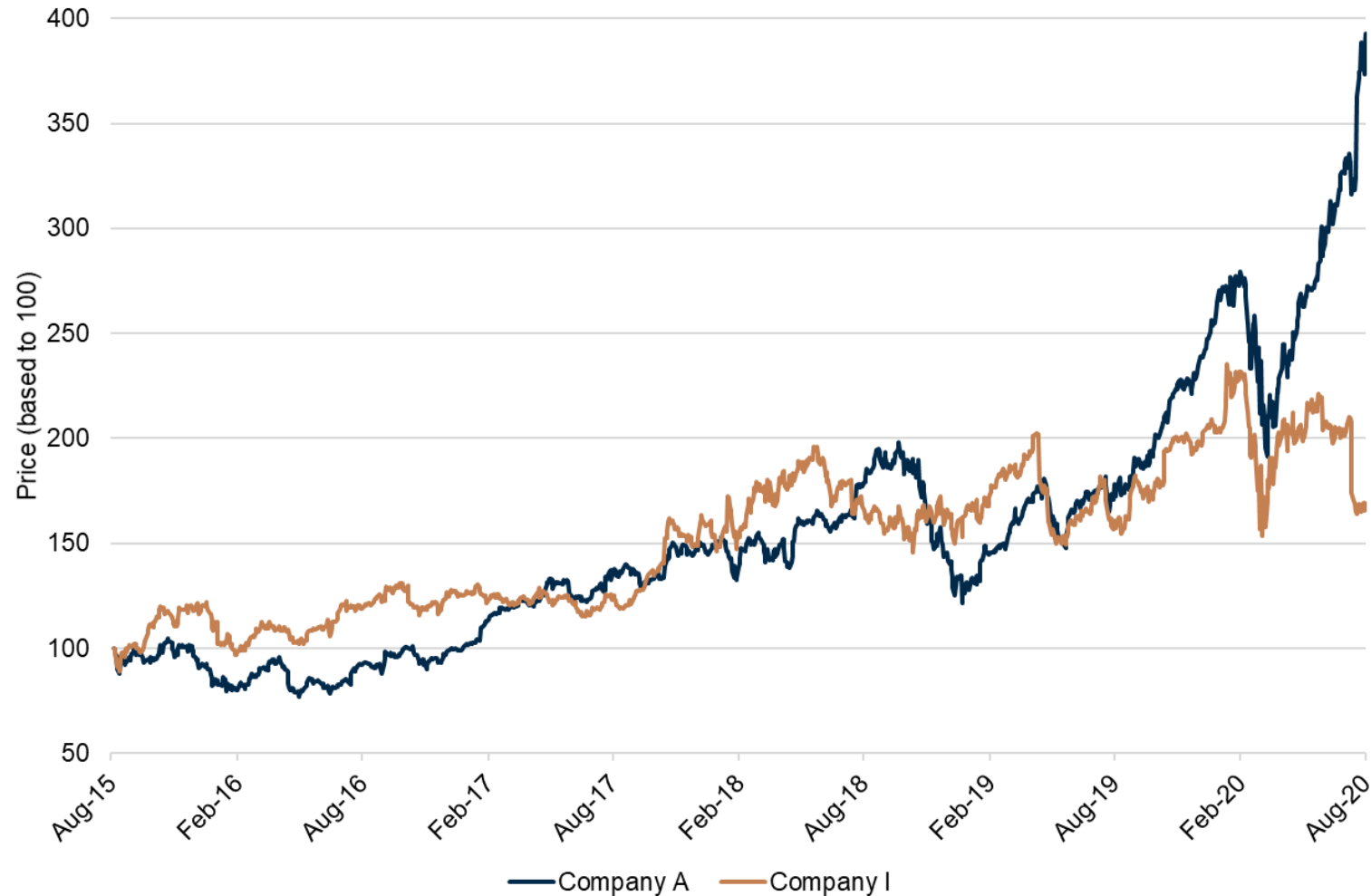


# What would you order?

		Company A	Company I
Revenue	Rolling 5 year	26%	35%
Net Income	Rolling 5 year	20%	93%
EPS	Rolling 5 year	60%	120%
Margin	Rolling 5 year	-15%	13%
ROE		56%	28%
Growth		16%	10%

Source: Bloomberg, BlueAlpha Research

# “A is 7x more attractive than I”



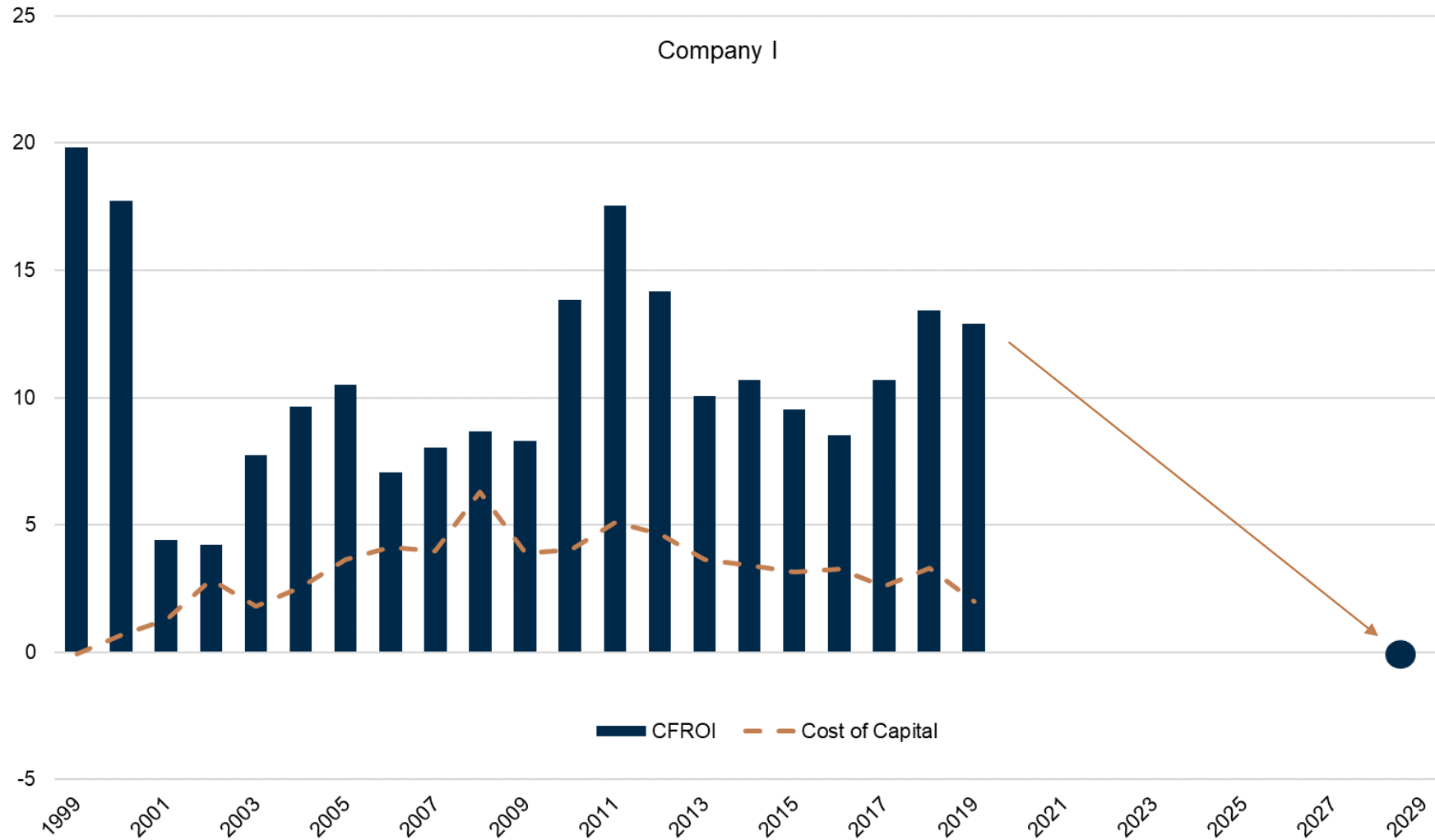
	Company A
PE	30,4
FCF / EV Yield	3.8%

	Company I
PE	11.3
FCF / EV Yield	10%

Source: Bloomberg, BlueAlpha Research



# The reports of my death are greatly exaggerated



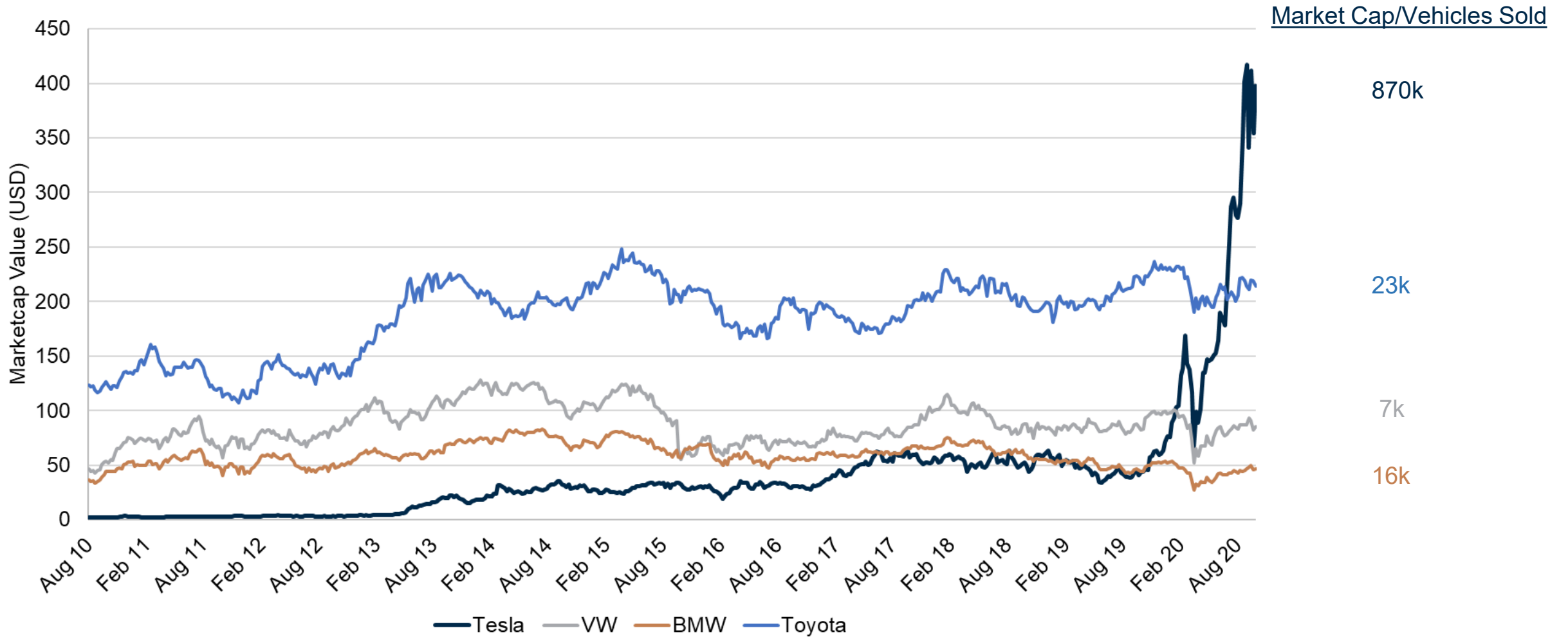
Source: Credit Suisse Holt

## **Requirements for S&P 500 inclusion:**

- ✓ *•It must be a U.S. company.*
- ✓ *•The market cap must be \$8.2 billion or more.*
- ✓ *•The public float must consist of at least 50% of outstanding shares.*
- ✓ *•The stock must have an active market and must trade for a reasonable share price*
  
- ✓ *•It must have **positive reported earnings** in the most recent quarter, as well as over the four most recent quarters.*
  
- Once requirements are met, inclusion is decided by a committee that meets quarterly

Tesla will slot in at position no. 7 at 1.5%, behind Berkshire Hathaway. Moving Johnson & Johnson and Procter & Gamble down the list

# Better late than never?



Source: Bloomberg

# Tesla – Relative Valuation EV/Sales

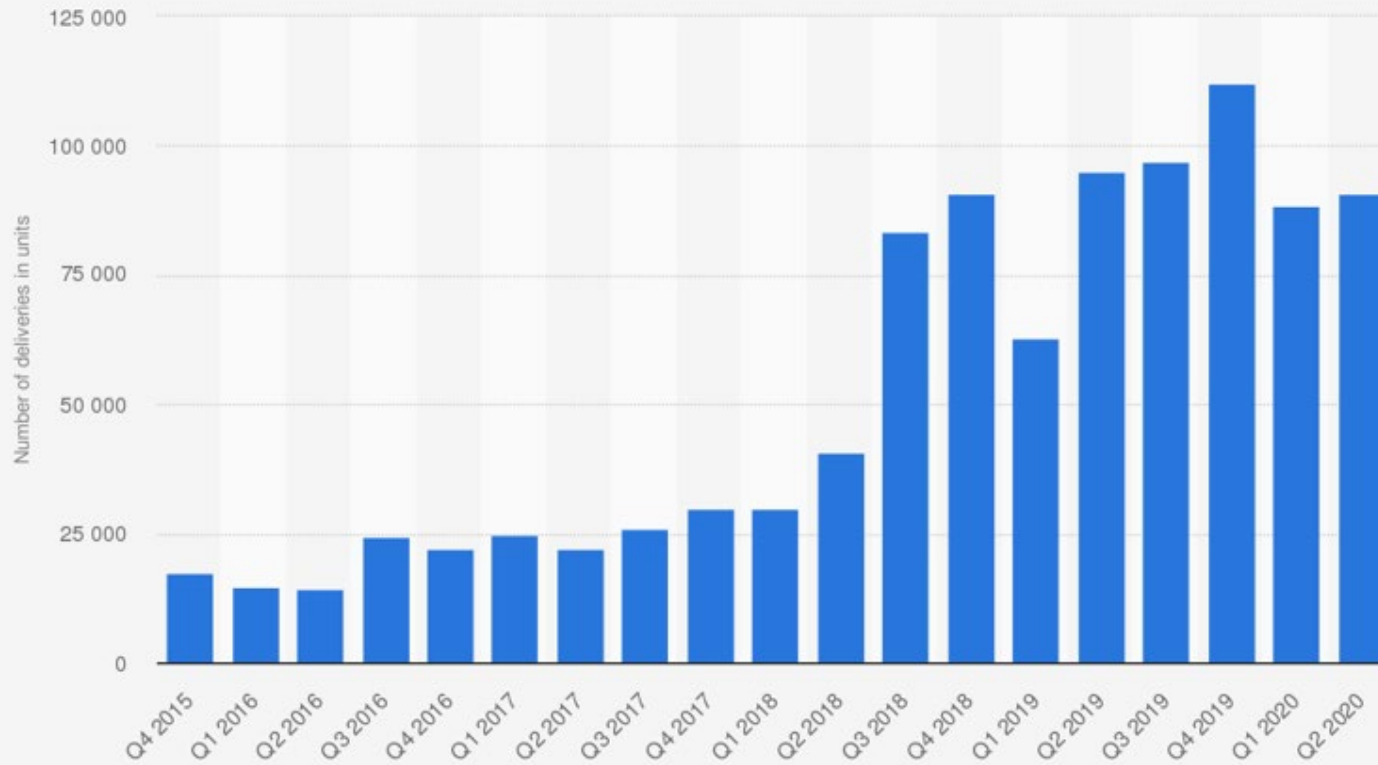


	Operating Margin	EV/Sales
Toyota	8.2	1.6
BMW	7.1	0.9
VW	5.8	0.3
Fiat Chrysler	4.6	0.3
Honda	4.2	0.8
GM	4.0	0.5
Ford	0.4	0.2
<b>Tesla</b>	-0.3	12.9

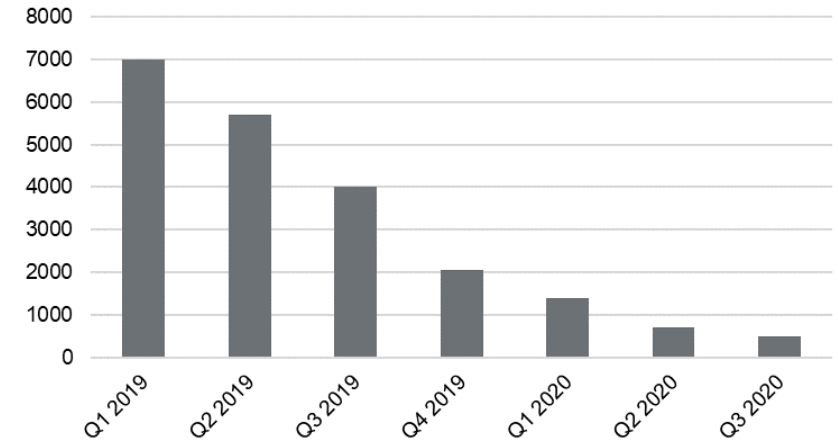
**Tesla would need to grow current production number by 10 - 20 times for valuation to be in line with peers**

# Tesla Competition

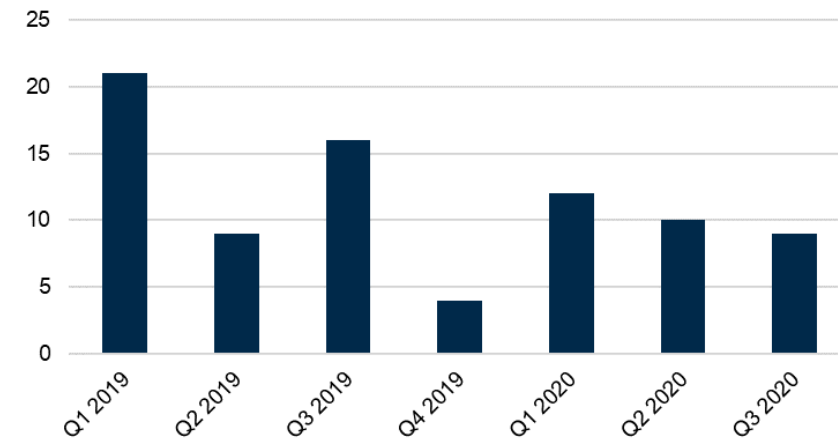
Number of Tesla vehicles delivered worldwide from 4th quarter 2015 to 2nd quarter 2020 (in units)



Tesla Sales in Norway



Tesla Market Share Germany



If Tesla isn't an automotive manufacturer, what might it be?



Source: Tesla, Business Insider

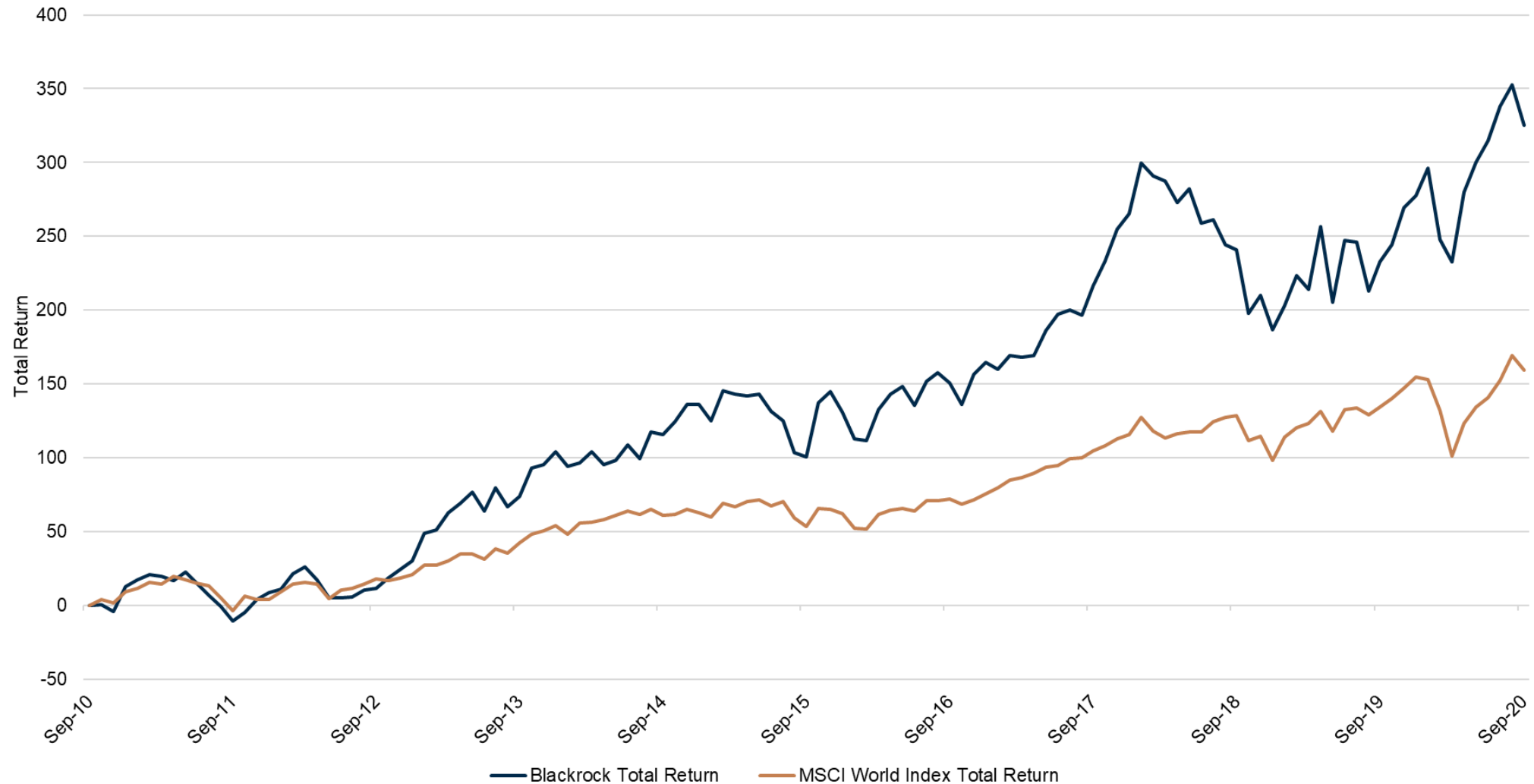


# ROBOTAXI

THE END OF THE STEERING WHEEL?

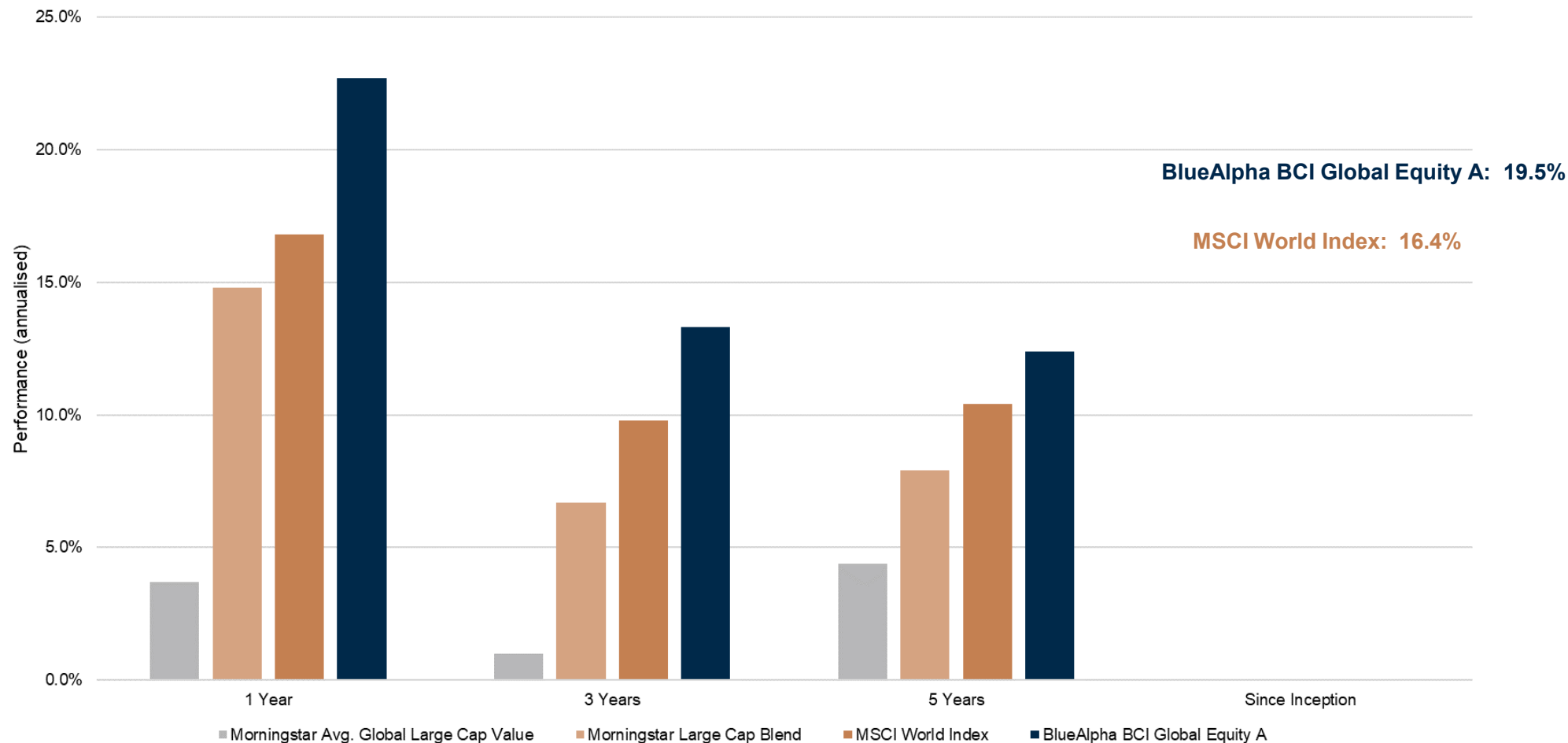


# A stock pick for a dystopian passive approach



Source: Bloomberg

# Not a free lunch but a good lunch



Performance reported for A Class net of fees in USD; Inception: September 2014; annualised return is the weighted compound growth rate over the period measured  
 Actual annual figures are available to the investor on request.  
 Calendar year high 34.7%, low -10.1%; Fund Category: Global Equity General; Fund Benchmark: 80% MSCI World Index and 20% US Libor rate calculated over a rolling 1-year period  
 Inception date: 2<sup>nd</sup> September 2014  
 Source: Morningstar, Bloomberg



## Thank You

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Performance figures quoted for the portfolio are from Morningstar, as at 30/09/2020, unless otherwise stated, for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax.

### **BlueAlpha Investment Management**

Tel +27 21 409 7100

Fax+27 21 425 6560

Email [Kirsty@bluealphafunds.com](mailto:Kirsty@bluealphafunds.com)

[Kimberley@bluealphafunds.com](mailto:Kimberley@bluealphafunds.com)