The Cut

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IRF provides institutional investors with expertise across an increasingly fragmented investment research industry in readiness for the post MiFID II world. We work with 110 Independent Research Providers covering multiple geographies, asset classes, industry sectors and methodologies.

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New Researcher Providers working with IRF

- **Gossamer Consulting** - Eric Kress provides research on video gaming markets across consoles and mobiles
- **RedTech Advisors** - Michael Clendenin and team carry out primary market research focussing on Chinese Internet companies
- **Tabbush Report** - Daniel Tabbush provides research on Asian banks

Researchers visiting London

- **Andrew Hunt Economics** - Global Macro, Andrew Hunt, Founder & Senior Analyst, **8 & 10 August**
- **Insight Investment Research** - Global Infrastructure Sector Research, Rob Crimes, Founder & Senior Analyst, **8-11 August**
- **SW Retail Advisors** - US and European Retail Sector, Stacey Widlitz, Founder & Senior Analyst, **7-8 & 12-13 September**
- **Off Wall Street Consulting** - US Equities, Mark Roberts, Founder, **25-27 September**
- **Macro Intelligence 2 Partners** - Global Macro and Trading Recommendations, Julian Brigden, Founder & Senior Analyst, **25-29 September**
- **Thompson Research Group** - US Industrial and Construction Markets and related Equities, Kathryn Thompson, CEO & Senior Analyst, and Chris White, COO, **26 September**

Macro Research

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2. **Ecstrat** - Defensive allocation to markets predicated on a stabilisation of the dollar and renewed concern about the Chinese economy in H2. Also downgrades Polish equities on difficulties with the country's relationship with Euro core
3. **Enodo Economics** - Weak USD buys Beijing time; China craves stability but it is not currently in their hands
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- **DeSaque Macro Research** - Yen depreciation remains the most convincing route to higher inflation, but with both the Fed and ECB wary of permitting speedy currency appreciation, the race to the bottom in the Great Currency War is not over

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8. **The Retail Tracker** - Too many retailers dying a slow death. Favoured stocks include, **TJX** (TJX) and **Nike** (NKE) for leadership and growth; **L Brands** (LB) and **Lululemon** (LULU) as recovery plays, whilst continuing to avoid and possibly **SHORTING Kohl's** (KSS) and **Bed Bath & Beyond** (BBBY)

Company & Sector Research Snippets:

- **Badger Consultants** - Closes short positions in online travel company, **Tuniu Corp.** (TOUR US), for impressive gains. Would short again if it's share price rose significantly above $8
- **Commodity Intelligence** - Turns **bullish** natural gas company, **Santos** (STO AU) having spent the last 7 years bearish
- **Spin-Off Research** - **Akcea Therapeutics** (AKCA US) was spun-out of Ionis Pharmaceutical recently and is the latest successful recommendation from this Provider; yet another example of how spin-offs can unlock value

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Macro Research

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1. Economic Perspectives - India's inflationary twist

***IRF Note** – Founded by Dr Peter Warburton, Economic Perspectives is a global macro-economic consultancy. They believe that credit market developments hold the key to understanding the outlook for the global economy and financial markets. Here they discuss how India's new Goods and Services Tax (GST) could usher in an inflationary surprise:*

- Whereas some essential consumer items will either be completely exempt or see a drop in the tax rate, the arrival of the GST is expected to increase the costs of most other consumer goods and services in India, including ATM withdrawals, kitchen appliances, and business travel.

- The new reform is initially expected to have some inflationary impact as the tax burden is passed on to the consumer faster than the tax cuts (e.g. Australia).
- While the GST Bill includes a plan to set up an anti-profiteering body if companies fail to pass on the tax cuts to consumers, this will be very difficult to enforce in practice. Many remain sceptical that prices will fully reflect the reduction in taxes, and predict that businesses will take the opportunity to widen their profit margins.
- While core inflation has marginally exceeded the official 4% target, food inflation has been a benign influence on the Indian CPI, aided again by favourable monsoon rainfall. Superficially, low food inflation could open the door for an interest rate cut later this summer, but the central bank is likely to wait and see if the trend will start reversing soon.
- Higher rural wages and dissipating base effects suggest that inflation will be heading higher towards the end of this year. An increase in July inflation could scupper the hoped-for 25 basis-point interest rate cut.
- However, longer term, GST could have a disinflationary impact as the duplication of taxes comes to an end and inter-state competition between producers is strengthened. The main advantage of the reform is the removal of the compounding effect of multiple different taxes at every stage of the supply chain.

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2. Ecstrat - Defensive allocation to markets predicated on a stabilisation of the dollar and renewed concern about the Chinese economy in H2. Also downgrades Polish equities

IRF Note - *Founded by JP Smith, Ecstrat provides a global country-based equity asset allocation strategy with a focus on the intersection of governments, geopolitics, governance and markets. The following is taken from their 30-page, EM Quarterly Review & Outlook, in which they retain a defensive allocation to markets and downgrade Polish equities from overweight to neutral following their stellar performance YTD and growing concern about Poland's relationship with the EU core:*

- The renewed surge in emerging market equities appears increasingly at odds with the underlying fundamentals.
- There have been five main drivers; i) dollar weakness; ii) global flows into technology stocks; iii) the renewed fall in the oil price; iv) the continuing search for yield; v) the perceived stabilisation of China's growth.
- The biggest threat to the equanimity of global markets over H2, comes from the prospects of instability in China's economy and financial markets, as opposed to tighter monetary policy in the US and eurozone.
- The current period of apparent stability in the Chinese economy is belied by some of the recent evidence of complex financial chains and in some instances malfeasance, which has been emerging from the corporate sector. As the dollar begins to stabilise over H2, the fault-lines which run through the Chinese economy are likely to become increasingly evident once again.
- Downgrades Polish equities following strong performance and the ever-increasing levels of tension between the ruling Law & Justice Party and the core EU group, led by Germany and France. Expect the zloty to weaken against both the euro and the dollar.
- Prefer those markets which benefit from lower energy prices and which also have relatively low weightings in the technology and upstream energy space, such as Mexico and Thailand.

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3. Enodo Economics - Weak USD buys Beijing time

IRF Note *– The official Q2 China GDP report paints the picture of a fast-growing economy that displays none of the quarter-to-quarter volatility we are used to in the West. This is grossly misleading. Beneath the surface, a furious transformation of the economy is under way. And as much as China craves stability, matters are not in their hands at this point. It is the Fed, not Beijing that will be calling the shots. Key points include:*

- Enodo's preliminary estimates show that real GDP growth was just 3.3% on a quarterly annualised basis in Q2, a far cry from the official figure of 6.8%.
- The leadership is intent on deleveraging and defusing the financial risks that plague the economy. To contain the fallout from this difficult economic transition, capital flows have been tightened and exchange rate liberalisation reversed. The purpose is to reduce exchange rate volatility. The result is to undermine the role of market forces in setting the exchange rate.
- So far, they have only succeeded due to USD weakness - the decline in the effective exchange rate has corrected a large chunk of the yuan's overvaluation, which, together with perkier global trade growth, has supported Chinese exports. Even so, growth remains feeble.
- When the dollar reverses its decline and/or the Fed raises rates sufficiently to bring output below trend, Beijing will find it hard to push on with the tough job of overhauling the economy without allowing the yuan to fall.
- The dollar and interest rates are key to the timing of the return of "China risk".

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4. MacroMavens - Equity investors are having a harder time these days finding 'safe space'- it's not going to get any easier!

IRF Note *– Stephanie Pomboy, founder of MacroMavens, says that thanks to lacklustre growth in the US economy, which is a function of the post-crisis consumer's propensity to save rather than spend, we have seen this massive surplus of liquidity over the last eight years. But it is about to change, and if history is a guide, stocks will suffer:*

- The bull market is now two years longer than the average bull and the second longest in history. What follows, is an average decline of 51%!
- Economy continues to lose momentum - 2Q rebound nowhere to be found. Atlanta Fed just cut its forecast for 2Q GDP to 2.5% (from 4.3%) and NY Fed to 1.9% (from 3%).
- Rapidly receding credit – not only is it that credit is the fuel that makes the economy run, but it requires more and more to have the same effect.
- Corporate earnings – headline figures look great, but the devil is in the detail. Beyond the law-of-small numbers boost from the energy sector, it's all about the dollar and growth abroad. Domestic profits are down both Q/Q and Y/Y.
- Autos and retail falling apart; Consumer Discretionary, stopped outperforming a while ago and now the sector that everyone ran to - Financials, is suffering. Investors are

funnelling into a narrower and narrower band of stocks – but there is nowhere to hide. The best investors can hope for is to outperform relatively.
- Just like the economy, credit is the lifeblood of stocks. But year nine of a recovery isn't generally when economic activity accelerates and credit quality improves. Even more unlikely considering climbing delinquency rates.
- As perception gives way to reality, the Fed will stop hiking rates, and be forced to renew QE. They will struggle to persuade investors that they have any clue or control. For dollar-based investors, nothing that is printed on their paper will be safe.

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5. Tematica Research - While most investors are pondering inflation, there are still several signs pointing in the opposite direction towards deflation

IRF Note - *The US is experiencing major structural shifts that materially alter the potential growth rate for the economy, regardless of the prevailing political philosophies dominating Washington. As these shifts affect growth rates, they also impact potential inflation. With an aging population and record levels of debt, demand cannot help but be constrained, leaving excess capacity on the supply-side, which suppresses inflation. Key points from their 21-page report include:*

- Growth of the working-age population has been slowing - the Trump administration's budget forecasts 3% growth by 2021. Without significant additional immigration, the labour force growth will still be only able to contribute 0.5% to GDP growth at most, which means to get to 3% they would need a 6x increase in the productivity level from last year or 2x from what was experienced during the Reagan era. Government calculations do not add up!
- Post GFC, ultra-low interest rates meant companies chose to engage in record levels of share repurchasing and/or dividend payouts rather than reinvesting back in their own productive capacity.
- Upstarts typically roar to life in the ashes of a crisis. But "Never Again" regulations put into place after the GFC shielded existing businesses because the cost of regulatory compliance created a headwind to innovation.
- Debt accumulation has more than doubled the rate of economic growth. Clearly, this is not a sustainable trend. Global debt is now more than 325% of global GDP, which serves as a headwind to growth and to inflation. ~$20tn of this debt needs to be refinanced in two years.
- From a thematic perspective, the structural changes reflect Tematica's Aging of the Population, Cash-Strapped Consumer, Disruptive Technologies and Connected Society investing themes with implications across a number of industries and existing business models.

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Macro Research Snippets:

CrossBorder Capital - It's not just 'QT' and the end of Central Bank QE that matter. The Great Unwind also involves capital flows quitting the US and returning home. Central Banks are slated to remove US$1-2 trillion of previous QE from markets in the next 3-5 years, but

twice that amount could quit the US dollar and Treasuries in the next 12 months - $3.5 trillion of net capital has left the Eurozone and China alone since 2011. These capital flows already explain the 'weak' US dollar and they warn of further trouble ahead. They are the elephant in the room and warn of further US dollar weakness and higher Treasury yields. **Click here** for a short overview of this researcher

DeSaque Macro Research - There is unease amongst Board members about the sustainability of the BoJ's purchases of ETFs. Worryingly, the downward revision to the inflation forecasts would suggest that policy accommodation needs to be maintained for at least three more years. Furthermore, the planned sales tax hike in 2019 could even potentially raise the ante on the BoJ to ease policy further to prevent recession. Yen depreciation remains the most convincing route to higher inflation in Japan, but with both the Fed and ECB wary of permitting speedy currency appreciation, particularly the latter, due its effect of accentuating imported deflation, the race to the bottom in the Great Currency War is not over. **Click here** for a short overview of this researcher

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Company Research

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1. Arete Research - Upgrades **AMS** (AMS SW) to **Buy**

IRF Note *– Arete provides research on the global Technology and Telecoms sectors, giving Long and Short ideas and Positive and Negative recommendations. They recently upgraded AMS to Buy as they see further upside to forward earnings, with a target price of CHF87. Key points include:*

- Multi-year growth opportunity - driven by front & back 3D sensing, ANC, True Color, environmental and VCSEL. Not reliant on one customer (Apple) or one technology (3D sensing).
- FY18 numbers have been upgraded to reflect the acquisition of Princeton (was at a $10m run rate, with AMS expecting to double that during '17 and to see $50m+ in '18).
- As well as the VCSEL opportunity going into 2018 - expect AMS to offer an integrated VCSEL solution within 3D sensing (model $26m in '18 and $76m in '19).
- Will also benefit from slightly higher Apple units after release date delay (looks like iPhone 8 will be a November 17 release rather than September, but lowers '17 numbers).
- Now model EPS at CHF4.67 in '18 vs. consensus of CHF3.5.
- They also explore what 2019 might look like with further incremental revenues from 3D sensing penetration (outside of Apple/Samsung – i.e. VCSEL) and the introduction of environmental sensors ($117m in FY19).
- Model '19 revenues of €1.9bn and EPS at CHF6.18 (close to AMS 19' guidance). Arete thinks there are additional meaningful growth prospects into '19 adding further support for their increased price target.

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2. Drewry Maritime Financial Research - **Downgrades Hutchison Port Trust** (HPHT SP)

IRF Note *– DMFR is the investment research affiliate of global shipping consultancy Drewry, and provides equity, credit and bespoke investment research, specifically in the following maritime sectors: Container shipping, Port operators, Dry bulk shipping, LNG/LPG shipping, Crude/product tanker shipping, Non-operating owners and Container leasing and manufacturing. They recently downgraded their view on Hutchison Port Trust to Unattractive following the company's 2Q results:*

- Results revealed more valuation-negatives than DMFR had expected - including diminishing importance of HPHT's main terminal Hutchison International Terminal (HIT), the escalating interest expense that cut 3.4% into EBIT, and a drag in the new associate, HICT.
- HIT suffered as a result of joint operation control with Cosco Shipping Ports. The traffic is believed to have been directed to JV terminals where Cosco Shipping Ports has an interest. It is discouraging for unitholders as HIT is increasingly playing second-fiddle to JV terminals in gaining customers' volumes.
- Project running losses for HICT - from the perspective of an investor, there is not much to be gained with a quarterly running loss of HKD 30m. DMFR does not expect a meaningful turnaround for this company between FY17e and FY20e.
- A bond issue for capping interest burden possibly being discussed by management - while tapping the bond market for funds would subjugate the equity holders' claims on HPHT's assets, DMFR believes the market would react positively to HPHT's credit securities.
- Unsustainable distribution - while they are certain that management would strive to meet its 2017 guidance at between HKc20 and HKc23, next year's yield could be much lower. The hope of a dividend revival is faint, even as core profitability occasionally lights up investment interest.
- Downgrade to Unattractive - trades at 27.2x earnings, significantly more expensive than their proprietary Drewry Port Index at 19.9x P/E. Fair value revised to USD 0.36 (previous USD 0.44) on a WACC of 8.9%.

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3. Independent Credit Research - **Bullish fracking services** segment

IRF Note *– Founded by Stan Manoukian, Independent Credit Research is a consulting research firm specialising in distressed research, portfolio management and valuation advice. It positions itself as a full-time global distressed analyst team working for a fund manager for a fraction of the cost of an analyst. They have initiated coverage of the fracking industry in a recently published 27-page report, where they are structurally bullish on the fracking servicing segment. Key points include:*

- The segment has been directionally increasingly divergent from the direct correlation with the rig count and the price of oil. In order to replenish depleting reserves, oil companies operating in shale basins need to drill deeper wells and more fracking power is required per new rigs than before.
- Together with a lack of qualified labour power, it has created higher utilisation rates for active fracking horsepower and higher pricing leverage of large fracking companies.

- It is a unique environment where demand for fracking equipment is growing, since oil companies have already committed their budget drilling through the rest of 2017 regardless of market prices of oil.
- Companies' cash flow break-even points for the oil price have declined, thus making fracking appetite of drillers more sustainable even in 2018.
- Several highly-leveraged fracking companies, like Calfrac and FTS International, have been able to find strong equity support from their existing shareholders.
- Fracking companies are no longer to be squeezed in price the way they were in 2015 and 2016. The oil price definitely dictates the willingness or reluctance of frackers to invest in new fracking horsepower assets. However, it does not any longer provide high pricing leverage to oil and gas companies – they will no longer be able to dictate prices to frackers for a while.
- Encourage investors to take both debt and equity bets as attractive ways to employ capital within the next 6-12 months.

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4. J Capital Research - **Short** online fashion retailer, **Boohoo** (BOO LN) - offers potential gains of ~50%

IRF Note *– Boohoo's growth has been phenomenal, but the company now appears to be stumbling. Slipping standards, question marks over margins, and an incredibly high valuation are just three of the reasons why J Capital recently initiated a Short recommendation on the stock with a PT of 131.3p. Some of the key points include:*

- Over-valued - at 10x sales, the valuation is simply too rich. Growing into its valuation would entail very significant capital expenditure as well as faultless execution. The stratospheric rise and abrupt decline of U.S. company Nasty Gal, now acquired by Boohoo, is an object lesson in how tough that is to do.
- Boohoo has gross and net margins well above its competitors – ASOS has a similar business model, 4x the volume and twice the order value. Unlisted competitor, Missguided, whose business model is identical, has gross margins lower than Boohoo.
- Family business - around 50 family-owned companies operating out of the same premises as Boohoo create the possibility, if not the reality, of opaque related-party transactions that could potentially make Boohoo's margins appear better than they really are. Some of the co-located companies are disclosed suppliers. At the time of listing (2014) Boohoo was buying 40% of its product from family companies.
- Low entry barriers - there are a dozen businesses almost exactly like Boohoo in Manchester, England, and most of them seem to be struggling to make money. There is nothing that should give Boohoo a sustainable advantage.
- Online reviews suggest that the quality of service is materially declining. EBITDA has been propped up by cutting marketing costs, but gross margins are in decline, and heavy capex lies ahead.
- Competing against Amazon is very tough, but if anyone can do it, ASOS is the more likely candidate.

Please contact us for access to the full report, including in depth research of the family owned businesses mentioned and a surprisingly large number of disclosed related-party transactions.

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5. Off Wall Street Consulting - **Buy American Axle** (AXL US); believes the market is too fearful on the outlook for the auto-supplier. Offers ~50% upside

IRF Note *– Founded by Mark Roberts in 1990, OWS is a fundamental US equity research house aiming to provide contrarian short and long recommendations. They boast a very impressive track record where 80% of recommendations have successfully played out since inception. We highlighted their short position in Snap On (SNA US) in an early edition of The Cut, which continues to deliver strong returns. Here we highlight the key points from their most recent initiation, taken from a 28-page report, recommending investors buy American Axle:*

- Share price valuation appears to be pricing in a significant amount of fear (debt, the auto cycle and vehicle electrification), making the valuation attractive. The likelihood of those fears being realised, seems modest and significant upside could be achieved in a more benign scenario.
- Trades at only 4.3x trailing EPS and a 13% trailing FCF yield. OWS thinks that AXL's FCF target of $400m after 2017 is conservative and $500m is achievable if auto sales are flat, giving a 28% FCF yield.
- Stock seems be pricing US auto sales falling to 13-14m units – OWS disagrees; cyclical downturn unlikely as they look at several common measures for 'normal' auto demand, and by most measures, recent sales do not seem extended.
- AXL also has substantial overexposure to trucks, SUVs and CUVs, which have and should continue to perform better than passenger cars. AXL's backlog is also expected to fully offset the loss of revenue from GM insourcing a portion of AXL's truck business.
- The acquisition of MXL (completed in April) is transformational and offers customer and product diversification (67% of revenue had previously come from GM) as well as cost synergies.
- Two-year PT of $24 would be a little over 9x OWS's estimate of a depressed 2019 EPS of $2.60, and expect $910m in FCF through 2019. AXL has historically traded at a material discount to peers, but the more diversified company should achieve a higher multiple after it brings down its leverage ratio.

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6. RedTech Advisors - Combination of a recovery in keyword search at **Baidu** (BIDU) and optimism toward iQiyi rate increases should push the stock higher. Success in self-driving cars would support further gains

IRF Note *– RedTech focuses on Chinese internet companies. Here they discuss the key points surrounding Baidu, whose top-line growth will improve during the next year as the keyword search business recovers from last's year's medical scandal. At the same time, O2O's drag on profit will diminish. However, any recovery for Baidu may be short-lived unless the outlook for iQiyi improves. Short of that, RedTech does not see any obvious catalysts until the potential gains of autonomous cars kick in around 2021-2022:*

- Drivers: Search recovery – RedTech's recent Digital Advertising Outlook, showed keyword search KPI's had improved. Despite this, many key accounts and agencies are not increasing budget allocation to keyword search on Baidu; instead, they are

increasing spending on social ads. The outlook is not stellar but expectations are low, so they should not disappoint.

- Advertisers from RedTech's panels nearly doubled their budget allocation for Baidu news feed ads recently. Baidu is hoping to make up the loss from medical ad spending but they will have to improve KPIs here to do so.
- Risks: Intense competition postpones iQiyi's profitability - may not attain sustainable profits before 2020, and perhaps not even then unless the cost of content decreases or iQiyi raises its monthly subscription rates.
- China more competitive for online ad budgets than the West. Toutiao is winning over advertisers with P4P ads – the same approach used at Baidu. If Tencent monetised WeChat at the same level of commercial intensity seen at Facebook, then Baidu would face an even bigger threat.
- Baidu believes it can commercialise a self-driving car system in 2021-2022 - if so, it will be a significant catalyst for investors.

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7. Summit Redstone Partners - Increases price target for chip-making equipment manufacturer, **ASML** (ASML)

IRF Note *– Summit Redstone focuses on providing research in the global Technology sector. The research is fundamentally driven aiming to find inflection points in the names that are covered. We have previously highlighted their bullish views on Micron Technology and more recently Mimecast – both of which have since performed strongly. Here Summit updates their bullish stance after ASML's (ASML) recent 2Q results beat market consensus:*

- Upbeat outlook on EUV – expect the stock to move up significantly over the next 3 years as EUV product cycle starts to gather momentum.
- Backlog continues to rise and is at a record €5.3bn with 50% coming from EUV (27 tools at €100-€110m/tool).
- Number of layers (10-15 layers) that will deploy EUV is much larger than original expectations of 5-8 layers.
- Revenues and EPS will easily double over the next 3 years. By 2020, Summit can see a path for the company to achieve €13bn in revenues and €9-10 in EPS (high end of their 2020 model).
- ASML capacity for EUV is now sold out for 2017 and 2018. They are booking orders for 2019.
- Based on a very conservative estimate of number of wafers that need EUV exposure, they see a solid ramp ahead for ASML.
- With improved revenue visibility and increasing confidence on ASML's execution, the company's share price has the potential for meaningful upside over the next two to three years. PT increased to €143; based on 25x CY18 EPS of €5.70.
- As a derivative play, MKS Instruments (MKSI) should benefit being a sub supplier to ASML. MKSI is also a key supplier to AMAT/LRCX in terms of their power supplies for Etch/Deposition tools.

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8. The Retail Tracker - Too many retailers dying a slow death

IRF Note *- Founded in 2006 and based in NYC, The Retail Tracker provides an in-depth understanding, market insights and current perspectives on the Consumer and Retail sectors to institutional investors. The team spends significant time in stores analysing merchandise, promotions and consumer behaviour to forecast the impact on the brands and retailers. Here they discuss how the culling of the bottom tier of malls and stores and the closing of struggling brands and retailers, which are beyond salvation, is exactly what the sector requires. Key points include:*

- Retailers are optimistic, always expecting the next product delivery to be critical to a turnaround which is rarely the case as it often builds over time.
- Mall owners need to protect their turf. As a result they can be tough when negotiating store closings without gaining something in return.
- The combination of store expansion over the past two decades with the recent acceleration of online growth has translated into a saturated environment for stores and merchandise.
- The process of eliminating underperforming concepts takes longer than one would expect as U.S. based concepts such as bebe, Limited Stores, and Wet Seal have fought long to stay alive as either private equity and/or management believes they have the answer. At this stage, we are finally starting to see more of these retailers close up rather than die a long death.
- There are positive examples, such as Target, with a nice sales stabilisation recently and Children's Place continuing to outperform with their strong assortments and brilliant pricing. It reinforces if you get the product right and execute you can still be successful in this environment.
- Some of their current favourite stocks include: TJX and NKE for leadership and growth; LB and LULU as recovery plays and they would continue to avoid KSS and BBBY.

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Company & Sector Research Snippets:

Badger Consultants - Provides US short ideas. They have just advised clients to close short positions in online travel company, **Tuniu Corp.** (TOUR US), having made between 5-25% profit on each of their four positions originally opened, while the S&P is up 11%. TOUR is a $2 stock masquerading as an $8 stock. In Q1 TOUR lost $41.9m, on just $66.3m of revenue and has $1.83 in cash per share, which is all this company is truly worth. The stock rallies from time to time on share buybacks, or fake news. If it does rally significantly above $8, they will short it again. **Click here** for a short overview of this researcher

Commodity Intelligence - Provides specialty advice on global commodity markets and equities. Having spent the last 7 years being bearish **Santos** (STO AU), they now believe there is a bull case to be made. The stock has collapsed, management has been changed, cash flow is eking out a positive number and production and sales expectations have just been increased for FY17. Santos has an enormous onshore heritage in some of the best Australia rock. There's a multi-year play here as Santos figures out how to copy the Texans in exploiting tight gas, tight oil, the shales, and all the other paraphernalia associated with the onshore boom. **Click here** for a short overview of this researcher

Spin-Off Research - The group cover spins from announcement and up to 9 months after

completion. They continue to see strong performances from their recommendations. **Akcea Therapeutics** (AKCA US), a spin-out from Ionis Pharmaceutical (IONS US), was recommended earlier this month in a 21-page report. The shares are up ~40% already! The creation of Akcea allows Ionis to remain focused on the innovation and discovery while Akcea focuses on commercialisation of its lipid drugs product portfolio thereby deriving more value from its lipid drugs. Intrinsic value was calculated at $14.00 per share. Ionis saw its Buy recommendation reiterated. **Click here** for a short overview of this researcher

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