



## Introducing the very best of Independent Research from the IRF Providers

### Company Research

1. **Huge outperformance vs. its Euro Stoxx 50 Benchmark** - 2017 Top 10 favourite stock portfolio demonstrates once again intrinsic value through stock picking in today's equity markets and their successful approach to stock selection and investing in Europe. Since 2012, their European Equity Portfolio has beaten its Benchmark every year by a large margin, +273% total outperformance - **Advanced Investment Research**
2. **Glaukos Corp.** (GKOS US) - Anticipating both near term earnings miss and long term guidance decline. Having recently performed Freedom of Information Act requests with regional CMS MACs they believe 3Q17 revenue will be below market expectations. Current valuation does not take into account the high degree of competition the company is facing - **Bios Research**
3. **Sumco** (3436 JP) - Increasing revenue and expanding margins. Plenty of upside left in the stock, despite its near vertical move recently. **Mitsubishi UFJ** (8306 JP) - Continues to see growth in the Q1 earnings growth drivers: lending income, securities revenue as well as planned stock sales. Stock breaking out of long term downtrend. Quantamental research - **Deydun**
4. **Komax** (KOMN SW) vs. **Leoni** (LEO GR) valuation comparison - Both heavily exposed to the automotive sector where growth is driven by increasing electronic content, miniaturisation and the automation of production processes. KOMN is the market leader with margins over three times higher than LEO, who has lowered its mid-term EBIT margin target after years of earnings disappointment and has a serious problem with wage cost inflation - **EquiVal**
5. **Huntsman** (HUN US) - Termination of deal with Clariant is a positive. There is a better deal to be struck assuming Mr. Huntsman is willing to sell rather than merge. Predicted before the news that the merger was likely to collapse. **Honeywell** (HON US) - Investors should expect an eleven figure acquisition to be made as the new M&A chief's mandate is to step up HON's intensity in this area - **Gordon Haskett**

6. **Electronic Arts** (EA US) - Closing Visceral Studios; Star Wars action game delay is a blow to potential upside in FY19. A long term problem for EA (and others) is if they push 'pay to win' microtransactions without separating them from the core gameplay - **Gossamer**
7. **Lumentum Holdings** (LITE US) - Premium valuation unwarranted. Lower CapEx from key customers negatively affecting LITE's sales; outsized inventory is exacerbated by excess capacity; revenue quality concerns; prepaid expenses soar to all-time highs and concerns over management track record - **Gradient Analytics**
8. **Facebook** (FB US) - Favourite internet/media investment idea, along with **Netflix**. Huge mobile ad opportunities including video, plus monetisation of Messenger and WhatsApp has hardly begun. Raises 12-month TP to \$215. Also recommends shorting traditional media stocks (broadcasting, newspapers, magazines, etc.) which continue to bleed advertising - **Huber Research**
9. **Matahari Department Store** (LPPF IJ) - Largest department store in Indonesia. Very strong competitive position due to its size, distribution network, and brand advantage. Over 16% estimated annualised return - **Reperio Capital**
10. **Aisin Seiki** (7259 JP) - Manufactures components and systems for the automotive industry. Develops short term top with weak VAD (Volume Accumulation Distribution) whilst reasserting relative downtrends. Japanese Weekly Strategy currently has 24 open Shorts, with an average move of +6.8% - **Stockcube**
11. **Balfour Beatty** (BBY LN) – Red flags starting to wave on the contract accounting. DSO is building, customer retentions have ballooned, recent improvements to cash flow appear unsustainable and the infrastructure portfolio is overvalued, 35% downside predicted. **IWG** (IWG LN) - Successful short call validated following the recent profit warning, having previously highlighted a decline in revenue per occupied workstation and an inability to cut spending further - **StockViews**
12. **Vietnam Prosperity Bank** (VPB) – Under researched, fast growing company with a NIM of 8.56% and an ROA more than double the industry average. With its major NPL clean up done, this will become a mainstream bank in a young demographic, high growth region – **Tabbush Report**
13. **Short Interest in US Stocks** - The strongest new short activity was seen in Process Industries: **Calgon Carbon** (CCC) and **Sealed Air Corporation** (SEE). Tech Service shorts declined but were overrepresented in the following names: **Bottomline Technologies**

(EPAY), **Vantiv** (VNTV) and **Monotype Imaging** (TYPE) - **Two Rivers Analytics**

## Macro Research

1. **India Bank Recapitalisation** - Cancels move to an UW position on the Indian market (see Ed.21). This follows the Indian government announcing a \$32bn recapitalisation of the public banking sector. Investors should now look beyond the short-term weakness in the growth cycle and buy into the next private investment upswing - **Asianomics**
2. **US Corporate Tax Cuts** - Little evidence of lower corporate rates being associated with faster economic growth. Cutting taxes will have adverse implications for federal government finances that could potentially crowd out private sector investment - **DeSaque Macro Research**
3. **Weakening Global Credit Metrics** - Global growth surprises continue to belie the threat to 2018 outturns posed by weakening global credit metrics and compounded by rising inflation. Developed economy central bankers are preparing to tighten, but they are already too late. A fading credit cycle is about to tighten credit conditions more abruptly than policymakers or investors expect - **Economic Perspectives**
4. **Fragile EM Equities** - Look increasingly vulnerable taking both a cyclical and a secular perspective. Short term very susceptible to a resumption of the dollar bull market. Longer term, Beijing is moving towards a more Autarkic Governance Regime, presenting overseas investors with a huge problem, given the increasing dominance of Chinese equities within the EM universe - **Ecstrat**
5. **Accelerating Inflation in China** - Official GDP deflator shows inflation quickening to 4.5% in Q3 from 0.2% in Q1 2016. Markets are not prepared for China exporting inflation - **Enodo Economics**
6. **Quantum Computing** - Key tech story over the next year or two. Quantum devices would amplify progress in any algorithm based optimisation process, from drug discovery to AI training and would likely be offered as a cloud based service from Google etc. The vastly greater processing power could make virtual wallets easily hackable and would also erase the computing constraint on cryptocurrency creation - **Entext**
7. **USD, Gold and Cryptocurrencies** - Conditions are building for further USD strength, with scope for gold prices to fall as much as 6%. Cryptocurrencies fundamentally incapable of replacing gold, although they may be cannibalising some demand - **Redward Associates**

## Researchers Visiting London

- **Thematic Research and Stock Ideas focused on the Technology, Media and Telecom Sectors with Cyrus Mewawalla of CM Research** - Favourite key themes: AI, China Tech, Internet TV, Cloud; Longs: IBM, Baidu, SK Hynix; Shorts: Disney, Infosys, WPP, Omnicom. **14-15 November**
- **Technical Research Consulting on Global and GEM Equity Markets and Industry Sectors with Lane Dusserre of SMI** - Long Nikkei/Short MSCI ACWI, Long SOXX/Short S&P 500, Long SX8P-STX/Short SXXP-STX. **15 November**
- **Global Macro with Andrew Hunt of Andrew Hunt Economics** - Impact of the significant increase in the level of state intervention and the increased concentration of market power within the hands of a few corporations. Inflationary implications of China's declining household savings rate. Success of Japan's more isolationist economic stance. **15-16 November**
- **Thematic Ideas and Investment Recommendations with Sean Maher of Entext** - Short India vs. Germany, Long Global Value vs. Momentum, Long VIX Volatility, Long Oil E&P, Long Electric and Autonomous Vehicles, Long Sensors. **22 November**
- **Global Stock Picks with Sandy Mehta and team of Value Investment Principles** - Suncor Energy, Hugo Boss, Xtep International, Sintex Plastics Technology, Coach, HanesBrands, Signet Jewelers, Enel Spa, Gree Electric. **22-23 November**
- **Global Equity Asset Allocation Strategy with JP Smith of Ecstrat** - Underweight recommendations include: China - foreign investors forced to play by Beijing's rules; Korea - companies subject to mounting internal and external pressures. Overweight recommendations include: Taiwan - time to move more defensive; India - short term cautious, more optimistic longer-term. **27-29 November**
- **Macro Forecasting focus on China with Diana Choyleva of Enodo Economics** - Markets are not factoring in underlying inflationary pressures in the Chinese economy, which are likely to lead to China exporting inflation in 2018. Can the leadership rebalance economic growth and what does this entail for global growth and markets? Party congress – conclusions and implications. **30 November**
- **Consumer and Retail Companies with Mark Friedman of The Retail Tracker** - Longs: L Brands, Williams, Nike; Shorts: Kohl's, Kors. **1 & 4 December**

**Events Associated with IRF**

- **The Real Reason Rates Are So Low - *Economic Perspectives***  
presentation at Innholders Hall, London. Please contact us if you would like to attend. **30 November**

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