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The Cut - Edition 31

Introducing the very best of Independent Research from the IRF Providers

IRF Lunch Invitation

- **Guest Speaker Simon Hunt, [Simon Hunt Strategic Services](#) - China's Resurging Growth: Implications for the Copper Industry. Lansdowne Club, London - **3 May****

Company Research

Europe

- **BasicNet (BAN IM)** - Organic sales growing +7.6% p.a. on average over last 10yrs and EBITDA margin 14% (target 16%). Company recently received an acquisition offer for rapidly growing K-Way brand - [AIR](#)
- **Ferrovia (FER SM)** - Concessions: scope for continued double digit toll increases. Contracting: on-going earnings recovery. Long term dividend growth potential - [Insight Investment](#)

U.S.

- **Broadcom (AVGO)** - Plenty of room for M&A. Following recent CFO's comments, could see a future deal in the \$20-25bn region; that could accommodate something the size of Xilinx - [Gordon Haskett](#)
- **Dana (DAN)** - Attractive risk/reward profile, especially if the merger with GKN will be completed - [Etalon Investment Research](#). Best investments are like good stories or movies: with story structure, important turning points, intrigue, drama, and surprises
- **L Brands (LB)** - Sizeable reduction in CFO's holdings with the stock at near multi-year lows. Stuart Burgdoerfer sold 33,000 shares at \$42.53 (now holds 69,640 shares). He timed his last stock sale well when he sold in 2015 at prices ranging from \$88-91 - [Smart Insider](#)
- **MindBody (MB)** - Industry leader in fragmented market, sticky subscriber base, high visibility revenue model. Intro offers and dynamic pricing driving growth - [Summit Insights](#)
- **Qualcomm (QCOM)** - Troubles remain after dodging AVGO. Needs to secure approval/execution re. NXPI acquisition, settle QTL licensing disputes, attract a qualified CEO, and manage through poor morale triggered by recent layoffs/cost cuts - [Inflection Point](#)

- **Shopify (SHOP)** - Easy customer onboarding and strong customer support. Rich basic features, a great app library, continual product innovation, and competitive pricing. Recent augmented reality partnership with APPL will be difficult for competitors to replicate - [**Blueshift**](#)
- **Under Armour (UAA)** - Increasingly competitive landscape. Brand equity appears in a downward spiral. Inventory growth underpins margin sustainability concerns. Capitalised expenses at record high. Trades at a premium to historical norms/peers - [**Gradient Analytics**](#)

Emerging Markets

- **Bualuang Office Leasehold REIT (B-WORK TB)** - IPO Feb'18. Buildings are fully occupied. Lower risk compared to peers. Proceeds from debt financing could be used to increase dividends further (>7% atm) or potential investments abroad - [**MCorp Review**](#)
- **Malaysia Building Society (MBSB)** - Showing some of the best improvements in credit metrics and returns of almost any bank in ASEAN. Recently acquired Asian Finance Bank - [**Tabbush Report**](#)
- **GEM Funds continue to increase Argentina exposure** - Now the 4th largest overweight among all countries, overtaking Brazil and is way ahead of all other Latin American peers. **Loma Negra** and **Despegar** are seeing the bulk of the inflows - [**Copley Fund Research**](#)

Macro Research

Developed Markets

- **Correction Protection Model** - Protects investors against significant market declines without sacrificing long term performance. For over 10yrs, it has been producing a significantly better return than SPX with approx. half the volatility - [**Asbury Research**](#). For further info [**click here**](#)
- **Applying [**AAS Economics**](#) Business Cycle Approach to the Eurozone corporate debt market** - Strategy has strongly outperformed the iBoxx EUR Corporates Index over the last ~20yrs. Given the Model's current stage of the business cycle, sector allocations are split 50:50 between Consumer Staples and Health
- **Using AI and Machine Learning to predict future financial crises** - Warns of upcoming problems in 2018, largely because of reversing cross-border flows out of the USD - [**CrossBorder Capital**](#)
- **New Market Data report and analysis on cold-formed steel framing** - The report was developed jointly by [**Thompson Research Group**](#) and the **Steel Framing Industry Association** to help interested parties track non-residential/commercial construction activity. [**Click here**](#) for further information

- Nearly impossible for **European equities** to outperform **US equities** as long as S&P 500-heavy weight IT is doing well. However, the last time European equities outperformed the U.S. was when European margins were catching up to U.S. levels. This seems currently the case - [***IR&M***](#)
- **Best country to hide in Europe? Italy** - Where the relative performance is at least maintaining some semblance of stability vs the RoW. Which sectors? Autos and tech capture the continuing pro-cyclical global tilt - [***RenMac***](#)
- **Japan slowdown?** - Weaker monetary trends and a deterioration in Japan's terms of trade may erode the outlook for real growth in 2018; likely to push back the BoJ's time table for orchestrating a shift in the yield curve - [***Andrew Hunt***](#)
- **Banks: Dodd-Frank/SIFI relief bill** - Had been previously optimistic about the bill's chances to become law in October, when it was a contrarian view. Today, 75% confident. What could still go wrong? In a word: Congress - [***Capital Alpha Partners***](#)

Emerging Markets

- **Trump tariffs** are merely the opening shot in a prolonged confrontation between the US and China, which will ultimately prove very damaging for EMs as a whole and for China in particular - [***Ecstrat***](#)

Commodities

- **Copper Bull** - Examines five reasons why prices are expected to correct in H1. However, prices will recover rapidly in H2, since the question will be "Where can we get the copper we need?" Expect a repeat of the price scenario experienced from 2010-2013 - [***Simon Hunt***](#)

Currencies

- **HKD has broken below a 34-year old band vs. USD** - Important because HK has been linked to USD and U.S. interest rates. If HK reverts to a Chinese yuan link, HK interest rates will double, very bearish for HK assets - [***Belkin Report***](#)
- **USD** - Consensus expectations are for a continued decline throughout most of 2018. However, [***WaveTrack***](#)'s Elliott Wave and cycle analysis digs deeper into the USD decline and comes up with a few contrarian forecasts for the next several months

Researchers Visiting London

- **U.S. Industrials & Materials Equities with Jay Van Sciver of [***Hedgeye***](#)**
- Spirit Airlines, Textron, Caterpillar, Tesla, Air Products & Chemicals,

Nutrien. **27-28 March**

- **Story Investing with Alex Gavrish of [Etalon Investment Research](#) (event-driven value equities).** For further information [click here](#). **3 April**
- **Inferential Intelligence with John Trudgian of [Williams Inference](#).** **9-20 April**
- **US Media, Internet, Information Services and Credit Rating Agency Companies with Craig Huber of [Huber Research](#)** - Moody's, S&P, Facebook, Netflix, Tribune Media, Sinclair, Twitter. **12-13 April & 16-18 April**
- **Equity Valuation, Risk & Market Timing with Rob McCreery and Chris Tinker of [Libra Investment Services](#)** - Lloyds, Fiat, Stora Enso, Steinhoff, Unilever, Burberry. **12-14 April & 5-7 May**
- **Financials: Keeping an Eye on Washington with Charles Gabriel & Ian Katz of [Capital Alpha Partners](#)** - Perception of U.S. de-regulatory trend oversimplifies matters. Still in the cross-hairs: Non-bank Specialty Finance, Credit Bureaus, Cards, Insurers, Banks, Mortgage Insurers, Fannie and Freddie, Marketplace lenders, & more. **2-4 July**

Events Associated with IRF

- **[The Little Inflation With The Big Bite](#) - [Economic Perspectives](#)** presentation at Innholders Hall, London. Please contact us if you would like to attend. **25 April**

Note: All **bold underlined** text are clickable links to Research Provider Overviews.

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