

The Cut is non-substantive material for the purposes of Recital 29 to MiFID II, it does not constitute 'research' for the purposes of MiFID II. It is only a brief summary of our research providers own example opinions. We do not substantiate any researcher comment or include any substantive analysis and this publication only re-iterates historic commentary.



## The Cut - Edition 44

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

*We have been writing The Cut for two years and are keen to meet our readership; this would give you the opportunity to hear about IRF and the Providers we represent* [Request Meeting](#)

[IRF Events Calendar](#)

**Summary of Breakfast Presentation with Michael Howell of [CrossBorder Capital](#) - Focused on China's growing influence on global economic affairs. Will the IMF have to relocate to Beijing?!** [Request Info](#)

## Company & Sector Research

### Europe

- **Roche** (ROG SW) - Biosimilars delay likely, risks are skewed to the upside on Rituxan, Herceptin & Avastin. 10% higher than 2020 EPS consensus. Pipeline to exceed expectations? [New Street Research Healthcare](#) [Request Info](#)
- **BBVA** (BBVA SM) - Large exposure to EM countries, where performance of EM banks is extremely positive in a high i/r environment, and NII spreads are much better than Spain's. Recent underperformance of EM markets adds to the appeal. [Hammer Research Partners](#) [IRF Event](#)
- **Enel** (ENEL IM) - Alberto De Paoli (CFO) recently spent €120k on stock at €4.55, his second and largest purchase. His prior purchase was in Jan 16 at €3.94, 1/3 of this size and proved timely. [Smart Insider](#) [Request Info](#)

### North America

earlier market entry and less risk. High price, high margin CBD products would provide meaningful growth to **Kimberly-Clark** or **P&G**. [RenMac](#)

[Request Info](#)

- **What do the US Elections Mean for Healthcare?** - The outlook for drug pricing reform, biologics, devices, diagnostics, post-acute services, Medicaid expansion and more. [Capital Alpha Partners](#) [IRF Event](#)
- **Apogee Enterprises** (APOG) - Designs/develops glass and metal products and services. Valued at 7.9x EV/EBITDA; 6.4% FCF Yield (excl. acquisitions). Activist investor onboard. Value and acquisitions story. Previous activist ideas: WTB LN, TVPT US. [Etalon Investment Research](#) [IRF Event](#)
- **Avon Products** (AVP) - Comprehensive strategy for a return to growth. Stock to move back towards longer-term averages from the lower end of the ranges, where it has been trading recently. [Lane Research](#) [Request Info](#)
- **Hexcel Corp.** (HXL) - Advanced composites company. Up +50% since first initiated. Exposure to a number of growing industries. +9% CAGR in revenues, +18% CAGR in EPS and ROIC to increase substantially to 18% over next 3 years. [Costigan Reports](#) [IRF Event](#)
- **Tribune Media** (TRCO) - Mispriced, trading at only 6.8x 2018/19(E) EBITDA vs. 8.3x peer average. Historically has not traded at a discount and should not now. Most likely take-out candidate in the sector. [Huber Research Partners](#) [IRF Event](#)

## Japan

- **TechnoPro** (6028 JP) - No.1 ranked engineering dispatch company. Will benefit from the new Worker Dispatch Law (1st Oct). Raising forecasts and expects both organic and acquired growth, as well as margin improvement. [Storm Research](#) [Request Info](#)
- **World Co** (3612 JP) - will relist this month after 13 years of restructuring, but given the tough trading conditions in the fashion market, it still needs to cut back further and doesn't look like being a great investment. [JapanConsuming](#) [Request Info](#)
- **Backtested the factors that work best in the Japan small-cap space** - Found that even with small-cap names, PE, Dividend Yield and ROE are more important than growth and margins. [Custom Products](#) [Request Info](#)

- **China: Gaming in the nanny state** - Regulatory headwinds will continue for gaming companies. Limited impact (short term) for **Tencent** and **Netease** since youth gaming revenue is low, but poses a significant longer-term problem. [RedTech Advisors](#) [Request Info](#)
- **China Autos: Tesla/NIO** - China has all the cards and Tesla little to offer. Musk criticising gov. policy was a mistake. Sales will slow. Companies like NIO are going to be favoured. [Research from Beijing](#) [Request Info](#)
- **71% of EM active funds are underperforming** - What is working? Stock selection in Mexico & China; Stock selection in Real Estate & Tech; UW **Tencent, MTN Group & Hon Hai Precision**. What isn't working? UW Taiwan; UW in **Tatneft & Reliance Industries**. [Copley Fund Research](#) [IRF Event](#)

## Macro Research

### Developed Markets

- **US: Democrats are playing a dangerous game** - Why change the subject when they look to have control of the House sown up? Taking the attention off the President and putting it somewhere else (Supreme Court) is a big mistake. [The Political Forum](#) [Request Info](#)
- **Italy: Rejecting reality** - Even a more moderate budget scenario with debt stability ignores the need for debt reduction. Lega has surged in popularity; prospect of an early election is underappreciated. Short BTP's. [Independent Strategy](#) [Request Info](#)
- **Japan's demographic dividend is done** - No escaping deflation/low inflation, until the population stops declining. Participation rate boosted as far as is possible. Zero i/r will not help the lack of bankable propositions in the country. [High Frequency Economics](#) [Request Info](#)
- **Bund yields heading towards 1%** - Solid European dynamics, wages picking up (albeit unevenly across the EZ), ECB is sticking with its plan to wind-up QE. Technicals support their view. [MI2 Partners](#) [IRF Event](#)
- **US: Just like '91** - Despite signs indicating only a mild recession (to occur in 2020), it will nevertheless force more extreme, unconventional policy responses, with major equity losses expected. [Minack Advisors](#) [Request Info](#)

### Emerging Markets

shortly. Russia resilient under the threat of new US sanctions.

Kazakhstan remains on firm footing thanks to sound policies and strong fundamentals. [Emerginomics](#) [IRF Event](#)

- **China's debt-strapped consumers** - Reaching their limits for additional consumption due to high debt levels, rising i/r and tighter financing. Will have a significant negative impact on growth. [GlobalSource Partners](#) [Request Info](#)
- **India: Exits long-standing position due to cyclical risk and high valuation** - The best-trade portfolio rotates into the strategy's strongest signals. The portfolio targets a Sharpe Ratio of 1 and annual returns above 10%. [ThirdYear Capital](#) [Request Info](#)
- **China: New social security payment rules** - Companies will have to pay an additional 0.67trn yuan in social security contributions, equivalent to 3.4% of the aggregate 16.4trn profit of all companies. Hardest hit provinces: Ningxia, Guangdong, Fujian. [Horizon Insights](#) [Request Info](#)
- **Indonesia heading into trouble** - Widening current account deficit; vulnerable to portfolio and other capital flows; over-optimistic IMF debt projections; inability of bank to absorb foreign liquidation of INDOGB's; limited FX reserves. [Redward Associates](#) [Request Info](#)
- **'Polar Silk Road' will reshape trade and geopolitics** - Climate change is leaving Arctic waters navigable for longer periods; China and Russia are spearheading a major new shipping route from East Asia to Europe. [Oxford Analytica](#) [Request Info](#)

## Commodities

- **Super OPEC: 'Charter' of cooperation** - OPEC seeks a permanent alliance with Russia and 9 other non-OPEC producers to maintain long-term oil market stability. If tough obstacles are overcome, a new chapter in the oil market's history will be created. [Vanda insights](#) [Request Info](#)

*Preferences: We are always looking for ways to improve The Cut. If you have any suggestions please let us know.*

**IRF works with 150 Independent Research Providers and Specialist Data Providers, which cover all the major Asset Classes, Sectors and**

**For further information please contact us at:**

**Edward Blad**

[Edward@independentresearchforum.com](mailto:Edward@independentresearchforum.com)

+44 (0)203 405 7120

Bloomberg IB / [eblad2@bloomberg.net](mailto:eblad2@bloomberg.net)

[LinkedIn](#)

**Alexis Vatistas**

[Alexis@independentresearchforum.com](mailto:Alexis@independentresearchforum.com)

+44 (0)203 405 7123

Bloomberg IB / [avatistas6@bloomberg.net](mailto:avatistas6@bloomberg.net)

[LinkedIn](#)

**Declan Wooloughan**

[Declan@independentresearchforum.com](mailto:Declan@independentresearchforum.com)

+44 (0)7798 643 589

Bloomberg IB / [dwooloughan3@bloomberg.net](mailto:dwooloughan3@bloomberg.net)

[LinkedIn](#)

**Jenny Metta**

[Jenny@independentresearchforum.com](mailto:Jenny@independentresearchforum.com)

+44 (0)203 405 7125

Bloomberg IB / [jmetta2@bloomberg.net](mailto:jmetta2@bloomberg.net)

[LinkedIn](#)



This publication references companies upon which research providers have previously published research reports, notes and briefs. No investment decision should be made on the basis of any comments about the published research reports without first reviewing those related research reports.

This summary is for informational purposes only and is not limited to companies on which research providers have published or may publish research now or in the future. Under no circumstances is it to be used or considered as an offer to sell or a solicitation of an offer to buy any security, bank debt or trade claim. While the information contained in this summary is believed to be current as of the date hereof, we do not represent or guarantee that the summary is current or complete, and it should not

We reserve the right to add or drop coverage of a company or industry, or change the analyst covering any particular company or industry at our sole discretion. Decisions to publish or terminate coverage are based on a variety of factors. As a result, coverage of such issues frequently may be characterised by either isolated reports, long periods between reports, or no reports at all. Our views of a security, issuer, industry or sector may change without the issuance of a new report.

IRF is not regulated under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

*Copyright © 2018 Independent Research Forum, All rights reserved.*

Want to change how you receive these emails?

You can [update your preferences](#) or [unsubscribe from this list](#).