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## The Cut - Edition 46

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

IRF hosted a lunch with David Roche, Principal of [Independent Strategy](#), in which he held forth on death of democracy, rise of populism, demise of Italian politics and bonds, China's success in technology, US deficit and much more. [Click here](#) for further details

[IRF Events Calendar](#)

### Company & Sector Research

#### Europe

- **AA plc** (AA LN) - On the road to recovery. High debt, falling membership and rising costs have created the perfect storm for a mispricing. Analysis includes: tracking underlying membership, modelling cost leverage, stress-testing B/S. [StockViews](#) [Request Info](#)
- **NMC Health** (NMC LN) - EBITDA fig. benefitted from lower reserving of TR and extension of useful life of assets. Material increase in related party transactions. Absence of purchase accounting adjustments and unusual change in additions to debtors' allowance. Substantial increase in leverage. [PN Finance](#) [IRF Event](#)
- **RPC Group** (RPC LN) - Packaging business. Mess is of their own making, management will continue to chase an offer. Apollo/Bain will either walk away or make an offer below the current price (Call initiated Oct 17). [TT Equity Research](#) [Request Info](#)
- **AstraZeneca** (AZN LN) - Tagrisso included on China's NRDL ensuring broader reimbursement in the 2nd-line setting. Higher sales to add 5% to 2023 consensus EPS forecasts. [New Street Healthcare](#) [IRF Event](#)

Indicator score has only screened this cheaply three times in the last five years. [Libra Investment Services](#) [Request Info](#)

## North America

- **Canadian cannabis** - The end of the rainbow may be approaching faster than expected. Initiated on **ACB**, **WEED**, **APH** and **CRON**, addressing the uncertain price and retail markups, black market competition and the risk of overbuilt capacity. [Veritas Investment Research](#) [IRF Event](#)
- **General Motors** (GM) - Just another legacy car company or a remarkably cheap tech stock? GM reinventing itself as a software IP licensing and mobility service story. [Entext](#) [IRF Event](#)
- **Livent Corp** (LTHM) - Lithium and electric vehicles growth story. Recent IPO, carve-out from **FMC Corp**. Valued at 12.3x EV/EBITDA. Low free float. Previous ideas: **WTB LN**, **ATKR**, **TVPT**, **PLYA**, **APOG**, **UNVR**. [Etalon Investment Research](#) [Request Info](#)
- **Tesla** (TSLA)
  - Critical accounting review. Revenue recognition and policy disclosure not consistent relative to peers. Revenue recognition is not comparable Y/Y due to changes in policies and practices. [Audit Analytics](#) [Request Info](#)
  - Covers one quarter of short position due to near term share price volatility. But long term target remains \$0-\$50. [Badger Consultants](#) [Request Info](#)
  - Clear deterioration in the brand. Underappreciated downside catalysts clustered in H1 2019. [Hedgeye](#) [Request Info](#)
- **ForeScout Tech** (FSCT) - Agentless technology to secure IOT devices hard to replicate. Federal budget flush and Extended Modules sales will boost top line/margins. Will beat consensus estimates in H2. [Summit Insights Group](#) [Request Info](#)
- **Molson Coors Brewing** (TAP) - Opportunities in both overseas markets and craft brewing business. Debt reduction will allow substantial dividend growth/resumption of buybacks. PT based on 11x EV/EBITDA 2021E. [Boyar Research](#) [Request Info](#)
- **Frontera Energy** (FEC CN) - Short reserve life in spotlight after mixed results at Acorazado. Management well-placed to focus on building a

## RoW

- **Philippine National Bank (PNB)** - Stands out as the value option in the Philippines banking sector. A quintile 1 PH Score™ of 8.9 captures both positive financial metric change and undervaluation. [Creative Portfolios](#)

[Request Info](#)

- **Australian Equities** - Model portfolio significantly outperforms benchmark. Stay long Growth (for now). Prefers Defensive Growth, **Tabcorp, ResMed**. UW Banks, Miners. **James Hardie Industries, NIB Holdings** are removed from the portfolio. [Macro Strategy Advisors](#)

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- **Japanese Equities** - Top 3 contributors in Q3: **Yume no Machi** (+59%), 'Improving customer convenience'. **NET One Systems** (+44%), 'Robust network security and cloud demand'. **Welbe** (+36%), 'Disabled employment'. Recent initiations: **PERSOL, Raksul**. [Storm Research](#)

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## Macro Research

### Developed Markets

- **European Parliamentary elections shock** - A black swan for 2019. Good chance Eurosceptic parties may form the largest single grouping after the elections in May next year. [Harlyn Research](#) [Request Info](#)
- **France vs Italy: French bonds vulnerable to a relative DG** - Economy possesses a fundamental income generation problem that it is attempting to offset via a foreign funded credit boom. Economic position not materially different from Italy's. [Andrew Hunt Economics](#) [IRF Event](#)
- **UK/EU did not expect a breakthrough at recent Summit** - Only an hour was earmarked for Brexit in the 27's agenda. EU officials are still upbeat, but the new deadline for a deal is now 'right before Christmas'. [Click here](#) for further details. [Eyes-Only](#) [Request Info](#)
- **Powell is a pragmatist who wants Greenspan-style 'shoot from the hip' monetary policy** - But his difference in style does not mean he is an apostate to New Keynesianism. Flexible he may be, but he has yet to say

add idea. [Intertemporal Economics](#)

- **One of the greatest political blunders of all time** - Democrats' decision to use the Kavanaugh nomination as a tool to rile up their base was a huge mistake. Voters are now evenly split heading into the mid-terms.

[The Political Forum](#)

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- **Three mistakes investors are making** - Looking too far into the future. Underestimating USD strength. Underestimating the potential negative effect of US tariffs on China/Asia-Pacific and the limited policy options available to Beijing. [Redward Associates](#)

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## Emerging Markets

- **UW China** - Rise in capital outflows to prove more significant than the boost to competitiveness provided by the lower currency. Will see a shift towards more Autarkic Governance Regimes across much of the EM universe. **OW Indonesia, Mexico, Thailand, Philippines, Taiwan.**

[Ecstrat](#)

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- **Underestimating the impact of the Khashoggi affair** - Opponents of the Saudi Crown Prince to move against him? Should expect a response from Turkey. Other countries in the region (Iran/Israel?) likely to take advantage of the distraction to further their own agenda. [Centennial Asia](#)

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- **China & US lead the AI weapons race** - China will not be weighed down by ethical concerns unlike the US; Google decided not to compete for a government contract over 'its AI principles'. Russia to lag behind, while European spending on AI defence is miniscule, but growing. [Oxford](#)

[Analytica](#)

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- **More bloodshed?** - Creation of an independent Ukrainian church separate from the Russian Orthodox church gets the green light. Ukraine needs to tread carefully as Russia will seek to escalate the situation.

[GlobalSource Partners](#)

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- **Turkey: 'Looking for a turning point'** - Report last month correctly predicted signs of improvement in trade deficit; real exports climbing, real imports falling; rise in services surplus contributing also. [GFC Economics](#)

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## Commodities

record continues for [HED Capital Management](#), having previously advised clients to short equity markets ([25/9](#)) and then cover/go long ([12/10](#)) [Request Info](#)

- **How will Chinese tariffs impact US exports in crude, petrochemicals & LNG? How does the Department of Energy plan to support coal & nuclear generation?** Pipeline expansions, renewables, energy storage, capacity markets & more. [Capital Alpha Partners](#) [IRF Event](#)
- **Undeterred copper bulls** - Forecast global copper supply growth to have a negative CAGR of 0.9% over the next decade. Avg. price of \$3.60 in 2019. [RenMac](#) [Request Info](#)

**IRF works with 155 Independent Research Providers and Specialist Data Providers, which cover all the major Asset Classes, Sectors and Regions utilising a variety of methodologies.**

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