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The Cut - Edition 59

Introducing the very best of Independent Research from the IRF Providers

IRF Events Calendar

Company & Sector Research

Europe

- **Dignity (DTY LN)** - Misplaced fears over the ongoing CMA market investigation; flawed evidence of anti-competitiveness. Draconian price regulation unlikely. Unappreciated recovery in margins. Over 100% upside to intrinsic value. [StockViews](#) [Request Info](#)
- **Retail REITs: Swimming Naked?** With shopping centre values falling in real-time, which over-leveraged REITs are (un)prepared for asset value dislocations? Reported LTVs inadequate; stress-tests have identified short opportunities. [Green Street Advisors](#) [Request Info](#)
- **GEM fund positioning: Hungary hitting peak ownership** - With both Turkey and Poland seeing diminishing exposure, Hungary has taken up the baton. Funds are now overweight by 37bps on average, with 44% overweight the index. Favoured stock: **OTP Bank**. [Copley Fund Research](#) [Request Info](#)

North America

- **Event driven research** - Analyst, Don Bilson recently interviewed by Barron's. Anticipating increased M&A activity in the following areas: Permian Basin, Software and Healthcare. Stocks mentioned include: **Pioneer Natural Resources, Symantec, LogMeIn**. [Click here](#) for a summary. [Gordon Haskett Research Advisors](#) [Request Info](#)

- **Life Code** - The ability to read, write and edit the DNA's molecular life code and use it to create new genomes will be the single biggest source of wealth creation and economic growth by 2030. Identifies two companies that will thrive during this first phase of woodshedding. [Signum Intel](#) [Request Info](#)
- **Dollarama** (DOL CN) - One of the best catalyst set-ups in a decade; visibility to a price adjustment, a new price point introduction and macro inflection moving from a headwind to a tailwind. Will return to MSD comps and +20% EPS growth next year; 60% upside. [Hedgeye](#) [Request Info](#)
- **iRobot** (IRBT) - Thesis playing out as share price collapses following Q1 earnings release. Significant slowdown in revenue growth. Investors are underestimating the threat posed by competitors; margins to come under intense pressure. TP \$68. [Badger Consultants](#) [Request Info](#)
- **Levi's** (LEVI) - Added coverage of the iconic brand following recent IPO. Current business trends are impressive, direct revenue growing strongly and debt has been cut in half in the last two years. Definitely a company to buy on weakness. [The Retail Tracker](#) [Request Info](#)
- **Palo Alto Networks** (PANW) & **Zscaler** (ZS) - Palo Alto is making enhancements to provide a more fully featured Secure Web Gateway and to leverage their broader technologies. Expect them to become more aggressive in this market and use their sales and marketing might to compete more directly with Zscaler. [Sales Pulse Research](#) [Request Info](#)
- **Qualcomm** (QCOM) - Will receive ~\$11 per Apple device in royalty, leading to earnings rising to as much as \$7-8. Combine this with a re-rating, flow of funds (given lack of ownership) and a play on 5G, it becomes the must-have stock in the semiconductor space. [Adnaan Ahmad Research](#) [Request Info](#) [IRF Event](#)
- **Watsco** (WSO) - Channel checks with distributor competitors show major growth rate declines in its main territories. Losing market share because of poor customer service. Investors mistaken in thinking HVAC (Heating, Ventilation & Air Conditioning) market isn't currently under pressure. [Atlantic Equity Research](#) [Request Info](#)
- **Woodward** (WWD) - Revenue projection of 14% CAGR (& EPS 17%) to 2022 will significantly exceed industry growth in the aerospace and industrial segments. Moved from an investment-cycle to a cash generation-cycle; margins to improve substantially. Shares have doubled since initiation report, but still offer 60% upside; TP \$160. [Costigan Reports](#) [Request Info](#)
- **Global Healthcare: Closes underweight position** - Proprietary measures show how oversold Healthcare has become. The sector has significantly underperformed Global Equities since the call was initiated (Dec 18). However,

it is too early for the model to move overweight - this will depend on when a new relative uptrend develops. [Ekins Guinness](#) [Request Info](#)

- **Consortio ARA** (ARA* MM) - One of the largest homebuilders in Mexico. Trades at 0.51x book value and 0.35x the value of its land bank and inventory. Healthy financial position, consistent profitability, stable growth and conservative management; 94% upside to FV. [Reperio Capital Research](#) [Request Info](#)

RoW

- **Chinese Autos: Mercedes-Benz dealership analysis** - Sales strong YTD. The C-Class and the Mercedes-Maybach S-Class are both selling well. They do not like the new A-Class, this will not be a profitable model. Running into customer issues that have become viral on social media. No promotions, maybe a mistake? [Research from Beijing](#) [Request Info](#)
- **TCL Corp.** (000100 CH) - Electronics supplier. Dong Sheng Li (CEO/Chairman/founder) purchases 92.6m at CNY 3.24, spending \$45m. Previous smaller purchases (Jan 19) at prices ranging from CNY 2.50-2.75 proved very timely, so it is interesting to see him make even larger purchases on the stock's recent pullback. [Smart Insider](#) [Request Info](#) [IRF Event](#)
- **Japan: Significant outperformance in Q1** - Recommended stock list posted an average gain of +20.2%. Top performers include: **Raksul** (+92%), **Lasertec** (+65%) and **TechnoPro** (+46%). Recent initiations include: **Daiwabo** and **Kitanotatsujin**. [Storm Research](#) [Request Info](#)

Macro Research

Developed Markets

- **The end of Japan** - QQME will remove all JGBs ever issued from the economy over the next c.10yrs; all the holdings of financial intermediaries will end up being equities. With the Japanese population expected to decline by ~30% over the next 20yrs, how will these financial intermediaries pay out when their assets are shrinking? Stocks will plummet, not just for a while, but forever. [HFE](#) [Request Info](#)
- **US-China trade deal is inevitable, but will be misunderstood** - Deal will not mark the start of a globalised upswing. US and China will be clear winners, both benefitting from tighter economic linkages. Biggest loser will be Europe,

along with Asian EM feeder economies, Brazil and Australia. [Independent Strategy](#) [Request Info](#)

- **ESG integration**, despite inducing much virtual back slapping, is hamstrung by an obsession with GDP. Growth does not equate to progress. More tomorrow than today ignores societal needs and constraints imposed by finite resources. Measuring companies on ESG metrics within this framework can be futile. [Sustainix](#) [Request Info](#)
- **US** - As unemployment bases, the risks of a recession rise. What does that mean for Eurodollars? Short term focus on profits leaves car companies few options as sales are set to fall. Equities are priced for a repeat of 2016 reflationary rally. Watching Amazon, Netflix and the dollar very closely. [MI2 Partners](#) [Request Info](#) [IRF Event](#)
- **Europe** - Recent reports include: Has **France** escaped or do its banks (and by implication the EUR) remain vulnerable? **Spain**: Underlying economic growth is weaker than many investors realise. **Germany**: Collapse in corporate sentiment is worrisome. [Andrew Hunt Economics](#) [Request Info](#) [IRF Event](#)
- **Growing corporate power: Key factor behind stagnation** - If MMT is the blunt macro tool that could bludgeon secular stagnation into oblivion, pro-competition policy is the micro scalpel that would correct secular stagnation as well as having important consequences for investors. [Minack Advisors](#) [Request Info](#)

Emerging Markets

- **China: Once again 'disappoints' the bears** - The manufacturing/trade slump is over and overall economic conditions are healthy. Consumption is a soft spot, but there are now signs of stability. Euro area well positioned to benefit. Recent coverage has also included: Will foreigners jump back into Chinese equities before locals lose interest? And China: 2019 is not 2016. [MRB Partners](#) [Request Info](#)
- **Argentina** - Restriction of base money growth should stabilize the Peso, which in turn should produce a rapid deceleration in inflation. Political risk is extreme, but BCRA has the right approach. Risk/reward is asymmetrically bullish in the USDARS carry trade. [Macrolens](#) [Request Info](#)
- **Ukraine: Zelensky's victory turns the country into experimental democracy lab** - He must be careful given the fragility of the country's economic and fiscal stability. Any experimentation with direct democracy would increase risks to cooperation with international donors, which is critical to their creditworthiness. [Emerginomics](#) [Request Info](#)

- **Korean Won misaligned** - Weak Q1 GDP and concerns about China have prompted a bout of KRW weakness. However, indicators suggest the Korean economy is stabilising, the external accounts are robust and valuation attractive. Sell USD/KRW. [Redward Associates](#) [Request Info](#)
- **Beijing's debt 'troubleshooter': The China Development Bank** - Examines how at a time of growing stress in China's economy, the CDB is performing a role as a state investor and restructuring expert. Includes how the bank is drawing increasingly on private credit through bond sales of which growing amounts are purchased by private investors. [GlobalSource Partners](#) [Request Info](#)

Commodities

- **Oil** - Sharp 2019 deficit expected; non-consensus forecast of 1.52mbd. Long Services exposed to the bounce in international activity. Short Services exposed to the slowdown in US onshore activity. Although fundamentally bullish, predicts a bearish narrative heading into June OPEC meeting. [Palissy Advisors](#) [Request Info](#)
- **Grains** - Several soybean futures contracts just made bottom extensions. This makes a 'full house' of bottom signals in the major grains; expects the current weakness in wheat and beans will soon end. [HED Capital Management](#) [Request Info](#)

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