



**GLOBAL  
INVESTMENT  
GROUP** *St Andrews*

## **Investment Report Spring 2023**

# Statement From the President

Expansionary monetary policy and fiscal policy during COVID led to a spike in inflation forcing central banks to raise interest rates. Higher rates helped contribute to much slower GDP growth over the past year. The Fed, European Central Bank, and Bank of England will all continue to raise interest rates throughout 2023. Although, recent turbulence in the banking sector has caused the Fed to raise rates at a reduced amount. Overall, we can expect slower GDP growth in 2023, down from an already slower growth rate in 2022. Muted growth will be with us for some time.

Megatrends of climate change and resource scarcity, demographics, technological advances, urbanization, and shifting economic power are all largely intact. Nonetheless, current economic factors must also be considered. Inflation, rising interest rates, and slower economic growth remain. Geopolitical unrest is also with us and impacts both market confidence and volatility. This complex macroeconomic environment will influence the choices we make in our investment portfolio.

Since June of last year through the end of Q1 2023, both the Fund and the S&P 500 have been roughly flat. Our goal for the Fund is to outperform the market indices. Going forward we will focus and rebalance our portfolio with the intention of trading our positions over the course of the year rather than a buy-and-hold strategy.

In addition to investing, GIG held a number of workshops with outside speakers to advance our training and development. We were able to reintroduce longstanding events such as Behind the Mask which was not only fun, but helped with our recruiting efforts. I would like to thank all of the Fund analysts for their strong efforts each week, bringing new and interesting companies to GIG through their pitches. I would also like to thank our reporters Finlay and Mathis, for the comprehensive reports they have produced, and our Head of Fund, Paula, for working closely with me over this past year. Congratulations to our rising GIG Fund President, Alex, and Head of Fund, Tancrede, who will be an incredible leadership team. My four years as a member of GIG transformed my St Andrews experience. I am grateful to have had the opportunity to work with all involved. The prospects for GIG going forward are bright. I wish everyone the very best!

**Ariane Lindsay**  
Fund President





# Fund Committee Members



**Ariane Lindsay**  
Fund President



**Paula Plechshmidt**  
Head of Fund



**Alex Type**  
Deputy Head of Fund



**Rosa Barkle**  
Head of Investor Relations



**Gavin Guterl**  
Deputy Head of Investor  
Relations



**Amelia Robinson**  
Deputy Head of Investor  
Relations



**Shade Mazer**  
Analyst Advisor



**Tancrede du  
Monceau**  
Analyst Advisor



**Finlay Watson**  
Fund Reporter



**Mathis Bourassa**  
Fund Reporter

## Disclaimer:

The present report has been authored by the GIG's fund reporters, Mathis Bourassa and Finlay Watson, with the collaboration of Ariane Lindsay.

All the data presented in this report is dated from April 11<sup>th</sup>, 2023.

The financial information presented in this report is provided for educational and informational purposes only, without any express or implied warranty of any kind.

# Portfolio Performance

Figure 1 indicates the current net gain generated by our portfolio, as well as the net gain for the stocks purchases in 2021-2022 only. With a net gain of 0.46%, our 8 most recent stock purchases have significantly outperformed the S&P 500 YoY return for 2022 (which sits at an unusually low -19.44%). Even as the past few months have generated historically low returns across the stock market, our global portfolio still beats the S&P 500 by achieving a net gain of -7.67%. Figure 2 provides a more detailed outlook on the individual performance of our stocks. The stocks in bold are the ones that have been purchased during the 2021-22 academic year.

**Figure 1. Portfolio Performance**

TOTAL PORTFOLIO		ONLY STOCKS PURCHASED IN 2021-2022	
Total value of portfolio (USD)	\$14,324.56	Total value of portfolio (USD)	\$7,044.38
Initial value of portfolio (USD)	\$15,513.81	Initial value of portfolio (USD)	\$7,011.97
NET GAIN (USD)	-\$1,189.25	NET GAIN (USD)	\$32.40
NET GAIN (in %)	-7.67%	NET GAIN (in %)	0.46%

**Figure 2. Detailed Portfolio Performance**

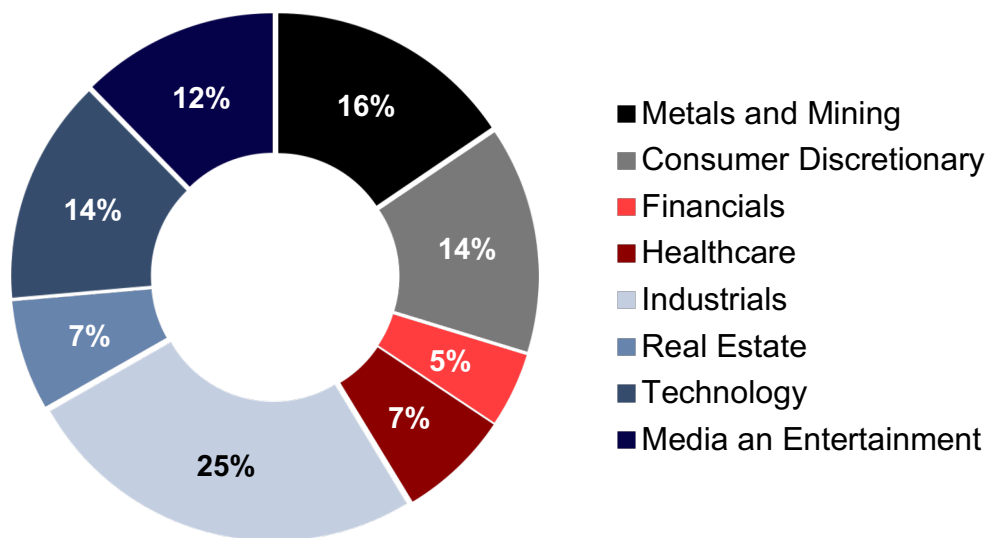
	Current stock holdings	Market share price (USD)	Price paid (USD)	Total gain (in %)	Portfolio weight	Date acquired	Market cap (billion USD)	PE ratio	Beta
Metals and mining	<b>Teck Resources Limited (XNYS:TECK)</b>	\$41.34	\$35.98	14.9%	4.69%	25/04/2022	\$33.13	5.20	1.28
	Sociedad Química y Minera de Chile SA (XNYS:SQM)	\$94.61	\$39.13	141.8%	8.23%	02/11/2020	\$16,598.60	5.85	1.18
	LIVENT CORPORATION (XNYS:LTHM)	\$26.06	\$12.61	106.6%	8.68%	02/11/2020	\$3.93	16.82	1.81
Consumer discretionary	<b>DIAGEO PLC (XNYS:DEO)</b>	\$172.21	\$202.75	-15.1%	4.68%	25/04/2022	\$82.84	24.57	0.58
	MGP INGREDIENTS, INC. (XNAS:MGPI)	\$91.50	\$62.77	45.8%	10.37%	11/05/2021	\$2.19	20.10	0.89
Financials	<b>CME GROUP INC. (XNAS:CME)</b>	\$175.68	\$222.29	-21.0%	4.90%	25/04/2022	\$68.48	26.01	0.42
Healthcare	<b>VERTEX PHARMACEUTICALS INCORPORATED (XNAS:VRTX)</b>	\$321.45	\$270.00	19.1%	5.14%	25/04/2022	\$84.79	25.62	0.49
	CANO HEALTH, INC. (XNYS:CANO)	\$1.26	\$10.29	-87.8%	2.87%	17/08/2020	\$0.63	0.00	0.08
Industrials	<b>WILLSCOT MOBILE MINI HOLDINGS CORP. (XNAS:WSC)</b>	\$47.87	\$36.54	31.0%	6.37%	25/04/2022	\$9.02	33.68	1.52
	WASTE MANAGEMENT, INC. (XNYS:WM)	\$152.61	\$126.66	20.5%	7.24%	19/11/2020	\$67.40	30.61	0.73
Real estate	<b>STAG INDUSTRIAL, INC. (XNYS:STAG)</b>	\$35.80	\$40.78	-12.2%	4.85%	25/04/2022	\$6.05	33.61	1.02
	INDUSTRIAL LOGISTICS PROPERTIES TRUST (XNAS:ILPT)	\$4.19	\$21.45	-80.5%	2.70%	19/11/2020	\$0.13	6.71	1.09
Technology	<b>ASML Holding NV (XNAS:ASML)</b>	\$667.39	\$593.22	12.5%	3.51%	25/04/2022	\$228.54	33.04	1.59
	MATCH GROUP, INC. (XNAS:MTCH)	\$53.66	\$142.40	-62.3%	3.14%	11/05/2021	\$9.67	28.33	1.06
	PAYPAL HOLDINGS, INC. (XNAS:PYPL)	\$81.83	\$199.88	-59.1%	2.12%	04/11/2020	\$82.62	35.95	1.31
	ACTIVISION BLIZZARD, INC. (XNAS:ATVI)	\$76.61	\$75.99	0.8%	4.94%	02/11/2020	\$67.11	44.58	0.42
Media and entertainment	<b>Clearfield, Inc. (XNAS:CLFD)</b>	\$69.16	\$52.29	32.3%	11.45%	24/04/2022	\$0.64	11.57	1.31
	PLAYTIKA HOLDING CORP. (XNAS:PLTK)	\$10.27	\$18.64	-44.9%	4.13%	17/02/2022	\$4.18	16.90	1.46

**Note:** The GIG is currently carrying a cash balance of US\$ 3,584.31 on its books, which will be used to acquire additional stocks in the 2022-23 academic year.

# Portfolio Segmentation

The GIG portfolio is composed of stocks from eight different industries, each represented by a team of fund analysts. These teams follow the key trends and leading players within their respective industry and present their stock recommendations to the Fund Investment Committee each semester. At the end of the academic year, the Fund Management decides which stocks to select and rebalances the portfolio. *Figure 3* reflects the weight of each of our sectors, calculated according to the current total value of each of our 18 holdings.

**Figure 3.** *Portfolio Segmentation, by Industry*



# Current Holdings

## Consumer Discretionary

**Diageo (XNYS: DEO, \$172.21)** remains in a satisfying position despite poor returns on the stock. The organization posted strong earnings results for the first half of 2022, with earnings up 22% from the previous year. Earnings are not expected to continue to grow at such an impressive rate. Guidance suggests that organic net sales are to grow between 5% and 7% until 2025, and organic profit to grow from 6% to 9%. Given higher interest rates at present, it is worth noting that DEO currently holds over £16B in debt for a debt-to-equity ratio of 171%. However, interest payments on its debt are currently well covered by EBIT. DEO has launched multiple schemes with an environmental focus as of late. It has joined a strategic partnership with a number of other so-called '*consumer packaged goods companies*' to develop a new kind of paper bottle as a more environmentally conscious delivery vector of its goods. Like most other UK stocks, DEO was rocked in mid-2022 by the UK policy decisions made by the Truss government but successfully recovered after the change in administration. The relaxation of Chinese COVID-19 policies will likely see an increase in sales of consumer beverages to meet pent-up demand as restrictions ease. This coincides with the first Christmas period in several years without widespread restrictions with an expectation of a greater volume of consumption across the board, especially in the alcoholic beverage space. In September, a new Johnnie Walker product was launched by Diageo alongside an exclusive NTF drop on BlockBar.com, the world's first direct-to-consumer NFT marketplace for luxury wine and spirits.

**MGP Ingredients, inc. (XNAS: MGPI, \$91.50)** is a producer of its own brands of premium distilled spirits, as well as distilled spirits supplied to other craft and multinational distillers. It also produces food, fuel, and industrial grade alcohol, and various food ingredients. The company is headquartered in the United States. MGPI has a current Market Cap of approximately \$2.3bn and an Enterprise Value of \$2.5bn. MGPI released its Q4 and full-year 2022 results on February 23rd, 2023. Full year Sales increased 25% to \$782.4mm. Adjusted Gross Profit grew 26% to \$253.3mm yielding a Gross Profit Margin of 32.4%. Adjusted EBITDA for the year increased 20% to \$169.3mm. Adjusted Operating Income and Adjusted Net Income both rose 23% to \$149.0mm and \$108.9mm, respectively. Adjusted EPS increased to \$4.94 a share, up from \$4.24. Adjusted Diluted EPS increased to \$4.92 from \$4.26 in 2021. Distilling Solutions Sales (distilled spirits supplied to third parties), which is the company's largest division, increased 22% for the year to \$428.5mm, with Adjusted Gross Profit up 11% to \$126.3mm. The second largest division, Branded Spirits (the company's own brands), was up 30% for the year to \$237.9mm, with Adjusted Gross Profit up 47% to \$95.5mm. The company's smallest division, Ingredients Solutions (food additives and ingredients) increased 28% for the year to \$115.9mm, with Adjusted Gross Profit up 42% to \$31.5mm for the year. The results for 2022 were above both the company's guidance and consensus analysts' expectations. The outperformance was driven primarily by the 42% growth in sales of brown goods (whiskey, bourbon, and rye) of both their own brands as well



as third parties. This increase was due to the ongoing growth in alcohol consumption, the rotation away from beer to distilled spirits, and a full-year contribution of branded spirits sales of Luxco, which was acquired in April of 2021. The company's financial performance was offset somewhat by the performance of white goods (vodka and gin) and industrial alcohol. The product lines were hurt by a combination of increased commodity costs (corn and natural gas) and price pressure from an excess supply in the market. Advertising expenses grew moderately due to the investment in the premium brands which came with the Luxco acquisition. The corporate tax rate was managed down from 25% in 2021 to 22.3% in 2022. Management guidance for 2023 was high. The company projects Sales in the range of \$815mm to \$835mm, Adjusted EBITDA of \$178mm to \$183mm, and Adjusted EPS of \$5.05 to \$5.20. The company also declared a Q4 dividend of \$0.12 per share. Seven equity analysts cover the stock. Their consensus estimate is \$821.92mm for Sales, Adjusted EPS of \$5.05, and a Price Target of \$127.65. Their 5-year annual growth rate forecast is 12.17% for Sales and 10.9% for EPS. The analyst consensus recommendation is BUY/STRONG BUY. The company's shares were trading at \$95 prior to the earnings announcement. The shares traded to \$100 on the day of the announcement and rose further the next day to close at \$104.27 on the 24th, a move of about 10% from pre-announcement. The share price of MGPI has risen 30+% over the past 12 months.

## Financial Services

**CME Group Inc (XNAS: CME, \$175.68)** has struggled since its purchase, losing at the time of writing 22% of its value. It is worth considering, however, that this deterioration in valuation is in line with the rest of CME's competitive landscape and the wider equities market as a whole. Over the last 6 months, CME has launched a variety of new derivative products allowing clients to trade Voluntary Carbon Products, expanded Metals Futures, a variety of Cryptocurrency Derivatives as well as TBA Mortgage-Backed Securities futures, the first of its kind. CME's outlook remains positive due to its global presence. CME currently boasts a 90% market share of the global futures trading and clearing services. Continued global macroeconomic uncertainty should benefit CME through continued higher trading values which are driven by increased volatility. It should also benefit from the adoption of several cryptocurrency-derived assets due to increased interest across the entire crypto space, especially after the collapse of crypto-exchange FTX. CME continues to beat analysts' expectations and, for the last 8 quarters, has delivered positive EPS surprise. Since revenue growth for the organisation appears to have stalled, improved operating efficiencies are to explain the increase in earnings. CME announced in December 2023 an increased dividend payment for the beginning of the year 2023 to \$4.50, up 38% on payments made in 2022.



## Healthcare

**Vertex Pharmaceuticals (XNASE: VRTX, \$321.45)** has continued to be a strong performer within the portfolio. It remains the leader in Cystic Fibrosis treatment and almost holds the dominant position within the market. Their consolidated position within the CF market has allowed VRTX to heavily invest in other areas of drug development and expand their pipeline. They are currently investing in 25 different products, of which 9 are in stage 3 or 4 of the approval process. The organisation is expected to imminently announce results regarding their pain product VX-548, a non-opioid medicine for the treatment of both acute and neuropathic pain. In early December, it was announced that Vertex was delivering approximately \$26 million to Estrada Therapeutics, a medical research group, through a share purchase agreement. VRTX is expected to post strong financial results for FY2022. EPS expectations were beaten through quarters 1 to 3 of 2022, and EPS is expected to grow for the final quarter of the year. Several times throughout the year, VRTX increased earnings guidance. Total revenue for 2023 is now expected to be in the region of \$8.8B, an increase of approximately 16% compared to FY2021.

**Cano Health, inc. (XNYS: CANO, \$1.26)** is a leading primary care provider in 7 US states, headquartered in Miami, Florida. Cano Health's leadership team is highly experienced, having previously held multiple management positions in other healthcare companies. Additionally, their plan of growing through physical expansion has shown promising results. Cano Health was a potential acquisition target for large primary care companies and other companies in the medical industry, such as HUMANA and CVS. A CVS takeover was speculated in 2022, but they subsequently 'walked away'. This speculation led to a large increase in share price during Q1. Disappointing Q2 results and interested parties deciding not to pursue an acquisition resulted in the stock plummeting by approximately half. Since then, the share price has not recovered. Despite this, CANO posted very encouraging end-of-year results. In Q4, membership numbers increased 36% YoY to 310,000. For the year, total revenue increased at a similar rate to the growth of membership numbers to \$2,739 billion, and adjusted EBITDA saw a five-fold increase to \$152 million. Capitated revenue per member per month was 2% higher YOY. The organisation saw an improved medical cost ratio of 76.1% which was better than expected, driven by lower third-party medical costs across all service lines. In its guidance for 2023, CANO expects total revenue to grow significantly into the range of \$3.10 billion to \$3.25 billion.

## Industrials

**Willscot Mobile Mini Holding Corp. (XNAS: WSC, \$47.87)** has performed strongly since its purchase. The stock has risen in value by 23% since its purchase, and the organisation has reported healthy financial results. WSC posted very promising results for Q3; EPS was \$0.59, a positive surprise compared to analyst expectations of \$0.22. The company reported sales were \$448m compared to \$343m the previous year. And for the first nine months, revenue increased 26% over the previous year. Throughout the year, WSC has managed to dramatically improve profitability. The profit margin has seen a 50% increase in 2022 alone. This is likely due to positive tailwinds continuing from the merger last year between Wilscott and Mobile Mini. In early December, WSC announced the diversification of its UK storage segment. While this transaction is still awaiting regulatory approval, it is expected to be completed in the first quarter of 2023. The division is estimated to have a value of approximately £340M. This transaction will likely help to further improve operating efficiency, which appears to be a current aim of the senior management team.

**Waste Management, inc. (XNYS: WM, \$152.61)** is the leading provider of comprehensive waste management in North America and is headquartered in Houston, Texas. Waste Management continues to operate in a sustainable fashion, proving attractive to ESG-sensitive investors as well as local authorities when competing for waste disposal contracts. In 2022, WM delivered strong financial growth, particularly in the collection and disposal business area of operations. The collection and disposal business exceeded expectations and overcame high inflation and a tight labour market to deliver double-digit adjusted operating EBITDA growth in both the fourth quarter and for the full year. This translated into a total adjusted operating EBITDA growth of 8.8% for the fourth quarter and more than 9.5% growth for the full year. WM's adjusted operating EBITDA was \$1.36 billion, or 27.5% of revenue, for the fourth quarter of 2022, compared to \$1.25 billion, or 26.7% of revenue, for the fourth quarter of 2021. Revenue, which grew by 5.45% in 2022, is expected to grow between 4% and 5.5% in the coming year. The Board of Directors has indicated its intention to increase the annual dividend by \$0.20 per share to \$2.80, increasing the estimated annual dividends paid to shareholders to \$1.1 billion. This will be the 20th consecutive year of increases for the company's per-share dividend. In December 2022, the board also authorised a share buyback program to repurchase up to \$1.5 billion of common stock. This signals confidence from the organisation of its current cash flow and financial outlook. This confidence is shared by the market with a 1-year price target of \$167 per share, representing a 7% premium to current.

## Metals and Mining

**Teck Resources (XNYS: TECK, \$41.34)** has provided strong returns since purchase. Midway through the year, the stock price fell dramatically. This is due to the fact that commodity prices plunged during the same period due to increasing fears of a global recession. If a recession occurs, investment and spending would likely be reduced and thus, market value for all the metals mined by TECK would decrease due to lower demand. As expected, earnings fell for Q3. TECK remained profitable even at these lower commodity prices, explaining how the stock managed to recover almost 95% of its value from its high in June. Ongoing recession fears will limit the growth rate of the stock price in the short term, but other existing catalysts could help the stock. For example, the Chinese government is currently considering a stimulus package to kickstart the economy after the lifting of its strict COVID lockdown policies. Although recession fears will continue, the long-term outlook for TECK remains positive as global demand for many of the metals seems to have a positive price outlook. For example, copper demand has increased dramatically over the last decade, and forecasts indicate this trend will only accelerate over the next 10 years.

**Sociedad Quimica y Minera de Chile SA (XNYS: SQM, \$94.61)** is a Chilean-based company that produces and distributes specialty chemicals and mineral fertilisers. The company's products are used in a variety of applications, including agriculture, industrial, and pharmaceutical. SQM operates in several countries, including Chile, the United States, China, and Germany, and has a strong focus on sustainability and social responsibility. The company is listed on the Santiago Stock Exchange and the New York Stock Exchange. The organisation is a leader in global Lithium production with a 17% market share. SQM also maintains an agriculture business arm with good potential for further expansion and consistent, reliable returns. For FY2022, SQM reported revenues of \$10,710.6 million, representing an increase of over 274% compared to US\$2,862.3 million in 2021. This massive increase in earnings can be attributed to the positive global price environment for the minerals that SQM mines. SQM posted a quarterly net profit of \$1.15 billion for the three months ending December 2022, beating average analyst estimates of \$1.14 billion. SQM maintains its relationship with the Chilean government and this year contributed more than \$5 billion to the Chilean treasury. The CEO, Ricardo Ramos, notes that long-term prospects remain strong for the business due to their investment in increased capacity in lithium extraction. SQM posted fourth-quarter lithium volumes up 38% YOY to 43,000 tons, selling at a record average of \$59,000 a ton, 4 times what they were a year previously. Our analysts have predicted an intrinsic value of \$220 per share while the consensus on 1-year price targets sits at \$110 per share, representing a 175% and 40% return to current respectively.

**Livent Corporation (XNYS: LTHM, \$26.06)** is a global leader in the production of lithium, which is a key component in the production of batteries for electric vehicles and other electronics. Livent was spun off from FMC Corporation in 2018 and is headquartered in Philadelphia, Pennsylvania. The company has a strong focus on sustainability and innovation, and is committed to producing lithium in an environmentally responsible manner. Competitors include Albemarle Corporation, SQM, and Ganfeng Lithium. Fourth quarter revenue was

\$219.4 million, down 5% and up 79% from the third quarter of 2022 and the prior year's quarter, respectively. Adjusted EBITDA was \$107.6 million, nearly four times higher than the prior year's quarter, and adjusted earnings per diluted share were 40 cents. Earnings are forecast to grow at approximately 22% in the coming year. For the full year, Livent reported revenue of \$813.2 million, nearly double 2021 results. Full-year Adjusted EBITDA was \$366.7 million, over five times higher than the prior year, and adjusted earnings per share were \$1.40 per diluted share. This significant improvement was partly due to higher Lithium global prices throughout 2022. Looking forward to 2023 the company is expected to deliver 20,000 metric tons of lithium capacity expansions in Argentina. The first half of this is in the process of starting up, and the second half is on track to be delivered in Q3 and Q4 of 2023. Livent is currently trading below our expected fair value by about 25%, while the average 1-year analyst price target sits at \$33.04, a 50% premium to current. Livent Corporation's strong position in the lithium market, combined with the growth of the electric vehicle and energy storage industries, continues to make it a good long-term investment opportunity.

## Real Estate

**Stag Industrial (XNYS: STAG, \$35.80)** has managed to remain profitable while navigating these tricky times for real estate investment trusts (REITs). The overall macroeconomic position has put a strain on the industrial real estate market. With the FED continuing interest rate hikes through the second half of the year to battle inflationary pressures, the profitability of leveraged properties decreases. There has also been uncertainty and frequent worries about a potential incoming recession which would reduce demand for industrial properties, therefore making long-term rental contracts less attractive in the current market. In spite of this, STAG has posted a positive EPS surprise for the first 3 quarters of 2022, beating analyst expectations by 4.5% on average. Over the last 3 full years, STAG has managed to grow earnings at an average rate of 30% per annum and is set to maintain that pace in the foreseeable future.

**Industrial Logistics Properties Trust (XNAS: ILPT, \$4.19)** is a real estate investment trust that owns and leases industrial and logistics properties throughout the United States. ILPT became public in 2018 and is currently managed by The RMR Group Inc. (Nasdaq: RMR), an alternative American asset management company. ILPT's real estate portfolio includes approximately 413 properties across 39 US states. ILPT has a very strong presence in Hawaii, with 226 of these properties being leasable land parcels and easements located on the island of Oahu. Overall, it achieved disappointing results over FY 2022 due to the significant rise in interest rates as well as falling demand for commercial properties on the rental market. Financial results from Q4 2022 reveal negative net earnings of \$227m as well as a net margin of -58.4%. However, investor confidence remains fairly high as the company made \$338m in revenue over the last 12 months, which corresponds to a 76.5% YoY increase. The analyst 1-year price target stands at \$6.93 and our DCF analysis reveals a potential upside of 73%. In September 2022, ILPT announced that it had closed on a \$1.235 billion debt financing with a final maturity date of October 9, 2027. The financing is secured by a portfolio of 104 industrial properties containing approximately 18.6 million square feet across 31 states. As of June 30, 2022, the 104 properties were 96.8% occupied, with a weighted average remaining lease term of approximately 10.5 years. This deal will allow ILPT to keep improving its financials at a time when the US real estate market is experiencing the highest interest rates in more than a decade.



## Technology

**ASML (XNAS: ASML, \$667.39)** continues to provide a positive outlook within the portfolio despite poor share price performance to date. Q3 results were strong, and EPS were higher than analysts' expectations by approximately 8% for an EPS of \$4.32. For the financial year 2022, both revenue and earnings have grown, by 6% and 63% respectively. In November, ASML announced a new share buyback program which is part of a larger effort to return cash to shareholders and will be accompanied by larger dividends going forward. The program will run until December 2025 and intends to repurchase €12 billion worth of shares. Long-term growth opportunities remain strong despite short-term macroeconomic uncertainties. Key drivers of growth within the semiconductor industry include their increasing application within the aerospace industry as well as the drive of many nations for technological sovereignty, which require additional semiconductor capacity deliverable by ASML. In spite of a positive long-term outlook, the share price performance has been disappointing. This can be attributed to wider trends that are affecting the market as a whole. Higher inflation seen throughout 2022 has affected the organisations' bottom line, and US-China semiconductor tensions have investors uneasy. However, recent US government relaxation on potential semiconductor bans has helped rally the stock, accompanied by positive CPI data across the globe.

**Match Group (XNAS: MTCH, \$53.66)** is an American company specialising in online dating services. It owns and operates the largest global portfolio of online dating applications, including Tinder, Match.com, Meetic, OkCupid, Hinge and Pairs. The latter is a significant innovation in the digital dating market, as it is one of the very first online platforms specifically designed to address social barriers that have historically been associated with the use of dating services in Eastern Asia, especially in Japan. Match Group was owned by IAC until it was spun off as a separate public company in July 2020. It reported a total revenue of \$3,189 million over the last 12 months, which corresponds to a YOY increase of 6.9%. The company's disclosed disappointing earnings for 2022 Q4 as it failed to attain its prior revenue target. This is arguably caused by weaker than expected product execution regarding highly anticipated new features for Tinder and Match's important debt. The company carries a debt-to-equity of 7.09, which is roughly 18 times higher than the one of competitors like Bumble and Hello Group. While these results are slightly disappointing, Match Group still had a track record of delivering healthy returns for investors in the long run. The stock achieved a YoY EPS growth rate of 30.3% and is currently estimated to have a 71.5% DCF upside.

**Paypal Holdings, inc. (XNAS: PYPL, \$81.83)** operates a technology platform that enables digital payments on behalf of merchants and consumers worldwide. It provides payment solutions under the PayPal, PayPal Credit, Braintree, Venmo, Xoom, PayPal Zettle, Hyperwallet, PayPal Honey, and Paidy names. The company's payments platform allows consumers to send and receive payments in approximately 200 markets and in approximately 150 currencies, withdraw funds to their bank accounts in 56 currencies, and hold balances in their PayPal accounts in 25 currencies. PayPal Holdings, Inc. was founded in 1998 and is headquartered in San Jose, California. PayPal released disappointing results for FY2022, leading shares to fall down to their lowest price in the last 5 years. Despite net revenues

growing by 9% to \$2.4 billion, this is a continuation of the slowdown in the rate of growth that has been observed over the last couple of years. This is due to an industry-wide deceleration in e-commerce growth, which is unlikely to improve in 2023. This trend of slowing growth is worrying investors and is plaguing many of the key metrics used to value PayPal. Total payment volume on the platform grew by 9%, but this growth rate was 15% the year prior. While PayPal also saw user growth increase by 8.6 million people, this is much less than the 42 million new users amassed in 2021. EBIT fell by 10% in 2022 despite their revenue growth. This can mostly be attributed to higher transaction expenses. Another reason for the lower share price is the current CEO Dan Schulman has announced he will be retiring at the end of 2023, which brings uncertainty to the future of the organisation. Despite disappointing results, PayPal continues to maintain a strong potential with \$5.1 billion in cash flow and a profit margin of 20%. If PayPal can manage to return growth to higher rates as in the past, its current share price leaves it relatively undervalued. This presents the opportunity for some upside at this point, as a poorer outlook has already been priced in.

**Activision Blizzard, inc. (XNAS: ATVI, \$76.61)** is an American video game publisher. They own franchises such as Call of Duty: Modern Warfare, Hearthstone, World of Warcraft and King's Candy Crush Saga, which have been showing growth in user bases. The global video game market is expected to show between 10-12% YOY growth through 2024, primarily driven by the mobile gaming and esports sub-sectors. Activision currently holds a robust foothold within the gaming industry with a 4.3% market share, the 5th largest globally with 389 million monthly users. As announced in early 2022, Microsoft plans to buy Activision for \$95 per share in cash at a premium to the current market price. This transaction has been approved by both boards and is now awaiting regulatory approval, which some critics think may not be granted. However, both businesses are pushing to have this complete by Microsoft's end of the fiscal year on June 30, 2023. Activision achieved sustained growth throughout 2021, primarily driven by industry-wide growth attributed to the COVID-19 pandemic. Unfortunately, the beginning of 2022 was more sluggish. However, the organisation finished the year strong by posting impressive Q4 results. For 2022, Activision's net revenues were \$7.53 billion, as compared with \$8.80 billion for 2021 but 4th quarter net revenues increased 8% to \$2.33 billion. Relatively strong 4th quarter results can be attributed to two major products launched late in the year. '*Call of Duty Modern Warfare II*' delivered the highest opening-quarter sales in the franchise's history, and the release of '*Warzone 2.0*' also contributed to a strong year-over-year increase in franchise reach and engagement, as well as record quarterly user spending. Activision Blizzard delivered 43% YoY net bookings growth, and their focus on expending key intellectual property across the entire business is a fundamental driver of future growth. Nonetheless, it must be noted that EPS significantly fell from \$4.08 in 2021 to \$2.58 in 2022, lower than analyst expectations. Profit margins also fell significantly from 30% to 20% in 2022, due to a slowdown in new game sales which could not be saved by the launching of the aforementioned new games.

## Media and Entertainment

**Clearfield (XNAS: CLFD, \$69.16)** has performed well since its purchase. The market capitalisation of the stock has increased to \$1.45B, representing a 76% return at the time of writing. The improvement in investor sentiment has been catalysed by a new service launched in August called CraftSmart FibreFirst Pedestal. This allows operators to deploy fibre broadband services more easily in rural areas, therefore allowing CLFD to access a larger customer pool. This announcement, coupled with a mid-year increase in sales guidance from CLFD helped to rally the stock and investor sentiment remains high. In other areas, CLFD has continued to perform well. Both revenue and earnings are expected to have approximately doubled in 2022 when compared to the previous year. EPS estimates have been beaten in every reported quarter of 2022. CLFD has provided revenue guidance of \$380M for 2023, representing 40% growth over 2022. In December, CLFD raised \$120M through the issuing of 1.2 million shares priced at a discounted price of \$100 per share. This underwrote a 30-day option to buy 180,000 shares and the proceeds will service working capital into the future. CLFD has performed exceptionally well when compared to the rest of the US telecom industry, which has returned -25% over the period since purchase.

**Playtika Holding Corp. (XNAS: PLTK, \$10.27)** is an Israeli company that was founded in 2010 and specialises in developing mobile games, which are sold all across the world. The company owns a wide portfolio of casual and casino-themed games. It distributes its games to the end customer through various web and mobile platforms, such as Apple, Facebook, Google, and direct-to-consumer platforms. Playtika's games include Slotomania, Bingo Blitz, House of Fun, Caesars Slots, World Series of Poker, Best Fiends, June's Journey, Solitaire Grand Harvest, and Board Kings. The company's games are available on iOS App Store and Google Play Store. Playtika's latest financial performance statistics are slightly disappointing as the developer reported a total revenue of \$631.2M in Q4 2022, the fourth consecutive quarter with a drop in revenue. The firm's free cash flow is also down by 15.1% YoY, making the stock's DCF valuation less attractive than initially anticipated. In terms of forecasted growth, the company's future remains slightly uncertain as its offer to acquire the Angry Birds game for US\$813M was turned down by Rovio in January 2023. Nonetheless, Playtika's PE ratio of 17.2 still makes it a potentially undervalued stock when compared to competitors like Rovio, Activision Blizzard and Ubisoft.