

# Actively Managed Certificate on Australian Equities (AMC)



## Investment Objective

The investment objective of the AMC is to achieve long-term capital growth by investing in companies listed on the Australian Securities Exchange, the share prices of which trade inordinately below their fundamental value as determined by in-house analysis.

## About the Investment Manager

Established in 2004, Beanstalk Investment Management Pty Limited, is an Australian-owned investment manager based in Sydney. It offers investment solutions to charities, high-net-worth individuals, family offices, corporates and institutional clients.

## About the Portfolio Manager

Timothy Savage is the founding shareholder and director of Beanstalk Investment Management Pty Limited. Timothy has 27 years' experience in finance and economic-related fields. He began his career at CS First Boston in 1995 before going on to become a senior portfolio manager at Deutsche Asset Management, Timothy contributed to the construction of portfolios valued at more than \$A10 billion.

## Investment Strategy

The product strategy is managed by the strategy manager in accordance with the following guidelines:

1. The Strategy-Manager articulates its analysis numerically through financial statement forecasting which is grounded in most cases by at least a decade of historical and audited financial data.
2. The use of historical data prevents overpriced risk from entering the portfolio and supports the discipline of capital preservation.
3. Long term financial statement forecasting produces future dividend profiles which are applied to a dividend discount model.
4. Potential candidates are then able to be ranked and a portfolio formed depending on the respective internal rates of return (IRRs) derived.
5. As a high conviction portfolio, prepared to invest for the long-term, individual components typically represent large arbitrage opportunities.

## Product Data

ISIN	CH1181263117
Underlyings	Australian equities
Strategy	Long Australian equity strategy
Issuer	CM1 Issuer Limited
Strategy Manager	Beanstalk Asset Management
Calculating Agent	CM1 Issuer Limited
Paying Agent	ISP Securities AG
Exchange	Vienna
Currency	AUD
Issue Date	19 <sup>TH</sup> October 2022
Valuation frequency	Daily
Initial subscription	AUD 10'000
Subscription and Redemption	Daily
Redemption notice	2 days
Offering Type	Private Placement
Management Fee	1.6% p.a.
Performance Fee	None
Fees charged	Quarterly

## Why Australian Equities?

1. Australia – a beneficiary from inflation primarily through hard and soft commodities.
2. Commodities an obvious winner – significant benefit across the economy as national income and terms of trade rise.
3. Debt to GDP ratio manageable especially relative to other developed nations.
4. Strong institutions and history of rationalism and adherence to the rule of law.
5. A safe haven from the Ukraine war both through geography, independency and as an economic beneficiary - eg wheat, oil, gas, commodities etc.

## Investment Performance

The Underlying Beanstalk Australian Shares Portfolio declined in value for the 6 months to June 30, 2022. It produced a pre-tax loss of 3.3%. These returns are before management fees\*. The portfolio outperformed the ASX 300 Accumulation Index for the 6 months to 30 June. Below, a table sets out the best and worst performing stocks in the portfolio over the period.

Performance: Underlying Portfolio	6 months	1 year	2 years	3 years	4 years	5 years	7 years	10 years
Pre-tax return	-3.3%	1.4%	22.7%	4.7%	3.6%	5.1%	7.4%	10.9%
ASX 300 Accum. Index	-10.4%	-6.8%	9.4%	3.4%	5.4%	6.9%	7.0%	9.2%

\* All returns are unaudited. Returns greater than one year are annualised. Beanstalk returns are net of entry and total portfolio exit brokerage costs (0.3% assumed). Zero cash assumed. Returns are pre-fees.

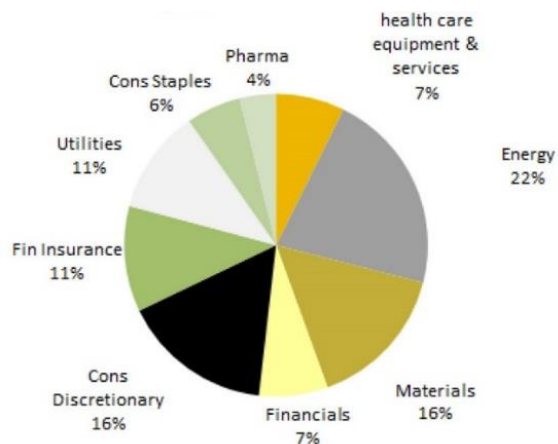
Best and Worst Performing Stocks*	
Best Performing Beanstalk Australian Shares	Woodside Energy (up 45.2%) AGL Energy (up 34.4%) Sigma Healthcare (up 31.4%)
Worst Performing Beanstalk Australian Shares	Southern Cross Media (down 48.7%) HITE Limited (down 46.7%) Nine Entertainment (down 37.3%)

\*\* A technical attribution list can be provided upon request.

## July Performance

Beanstalk Shares 7.0  
ASX 300 Accumulation Index 5.9

## Underlying Portfolio Sector Exposure



## Commentary on Australian Equities

The August reporting season demonstrated a healthy corporate sector. Results were ahead of expectations and dividend payments markedly above previous levels. Positive outlook statements also predominated.

Covid, floods and the Ukraine war were the primary forces impacting costs and supply chains. A shortage of workers, increased energy costs and logistics were challenging. As inflation surged through economies companies pointed to higher costs for shipping (Adelaide Brighton Cement), compliance (Star Entertainment), feed (Ingham Chicken), wages (Coles), timber (Brambles), energy (Alumina) and cheese (Domino's Pizza).

Inflationary events like the pandemic and the Ukraine war have been a positive for Australia's terms of trade, providing a considerable boost to national income.

The energy crisis in Europe, and around the world, was born through underinvestment and then exacerbated by war in Ukraine. Direct beneficiaries from profit reports included LNG producers (Origin Energy and Woodside Energy) and coal producers (Whitehaven Coal, BHP). Others experiencing positive, direct impacts from the Russian invasion include fertilizer producers (Incitech Pivot) and grain businesses such as GrainCorp.

Of course, record and elevated terms of trade benefits the economy broadly and benefits all companies indirectly whether that be the minerals testing group ALS Ltd or the consumer electronics retailer JB Hi-Fi.

In attempting to manage unreliable supply chains, managers held higher levels of inventory, impinging on cash flow. That companies were generally able to increase dividends, undertake capital management, hold higher levels of working capital and finish the period with strong balance sheets says a lot about the strength of the reporting season and reflects how the terms of trade was a benefit economy-wide.

Structurally, Australia's terms of trade is likely to remain elevated.

This should reflect many factors including the inflationary outlook.

Energy should continue to contribute given underinvestment.

The global energy transition will be a large export earner for Australia. For example, LNG production is likely to be accepted as a bridge toward decarbonisation. Australian commodities including rare earths, copper and nickel are necessary ingredients in the \$1 trillion pathway to green the world's energy production. Finally, Australia is well positioned to replace LNG with even cleaner hydrogen exports in time.

Australia's location is also a factor in its resilience. Proximity and trade with Asia – a region forecast to reach 44% of global GDP in 2026 – provides strong demand for energy, minerals, agriculture and services. Further, as China's economy reaches limits, India may well accept the baton as it accelerates toward developing its economy.

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