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Investing for a
world of change

Financial Services | Finding the winners of tomorrow

Clyde Rossouw, Head of Quality

Ben Needham, Portfolio manager, Quality

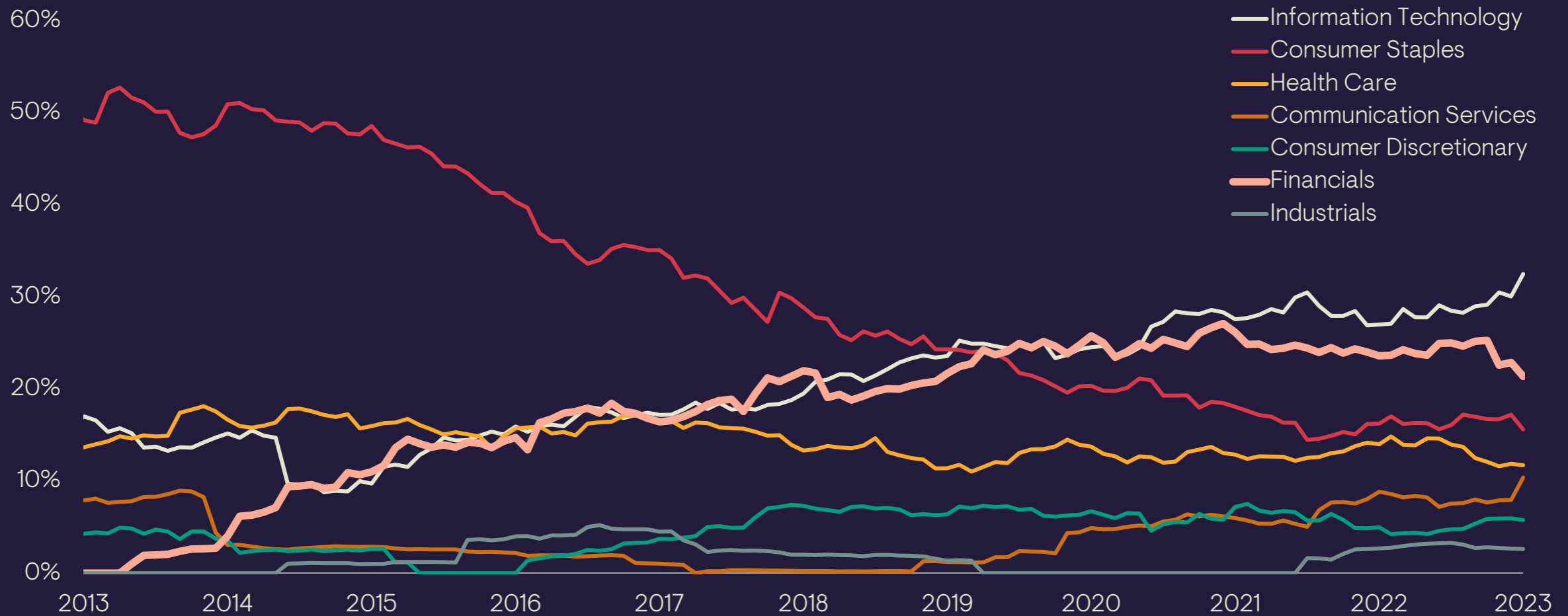
Paul Vincent, Portfolio manager, Quality





Financials: A growing allocation within Global Franchise over past decade

10-year sector breakdown



Based on a related portfolio with substantially similar objectives as those of the services being offered.
The portfolio may change significantly over a short period of time.
Source: Ninety One, FactSet, 31 May 2023.



Why do Banks not fit into our process?

5 key attributes

1

Hard-to-replicate enduring competitive advantages

Commoditized business model with little differentiation aside from underlying funding costs

2

Dominant market positions in stable growing industries

Market dominance exists in some markets, but stability undermined by numerous crisis and rise of disruptive fin-techs

3

Low sensitivity to the economic and market cycle

Profitability is inherently linked to economic cycle through loan book and associated credit losses

4

Healthy balance sheets and low capital intensity

Business model requires leverage and capital intensity via reserve requirements

5

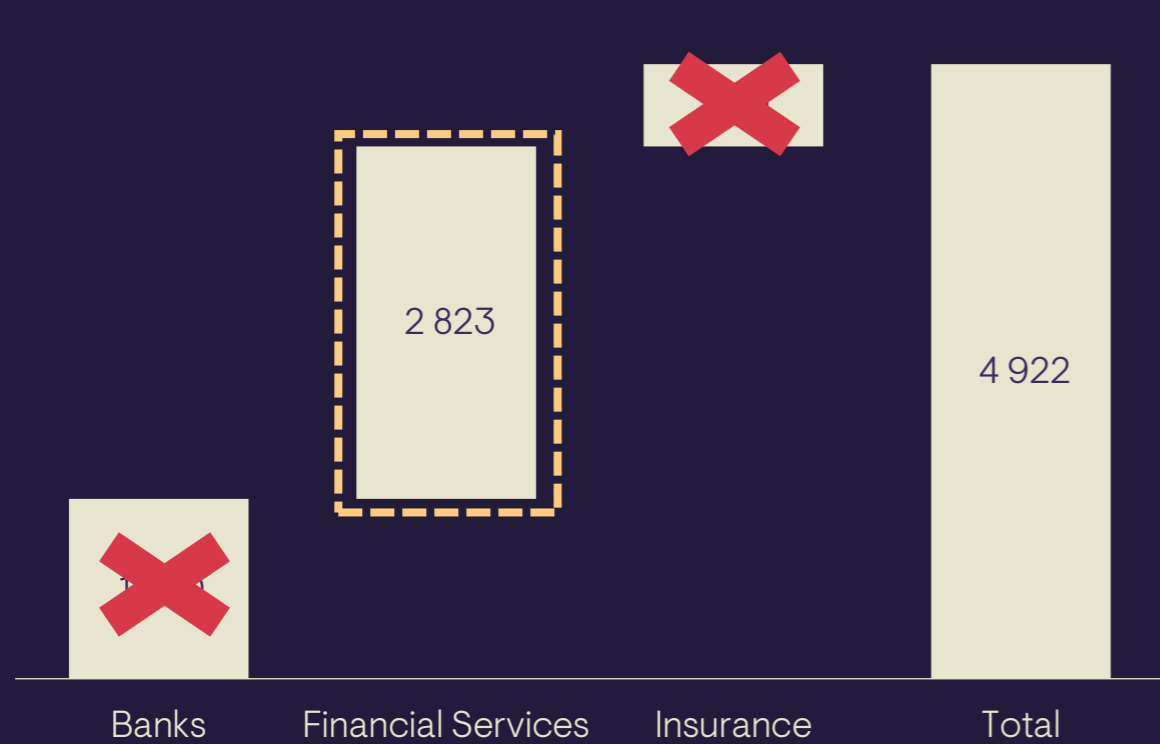
Sustainable cash generation and effective capital allocation

Impossible to follow the movement of cash through the financial statements

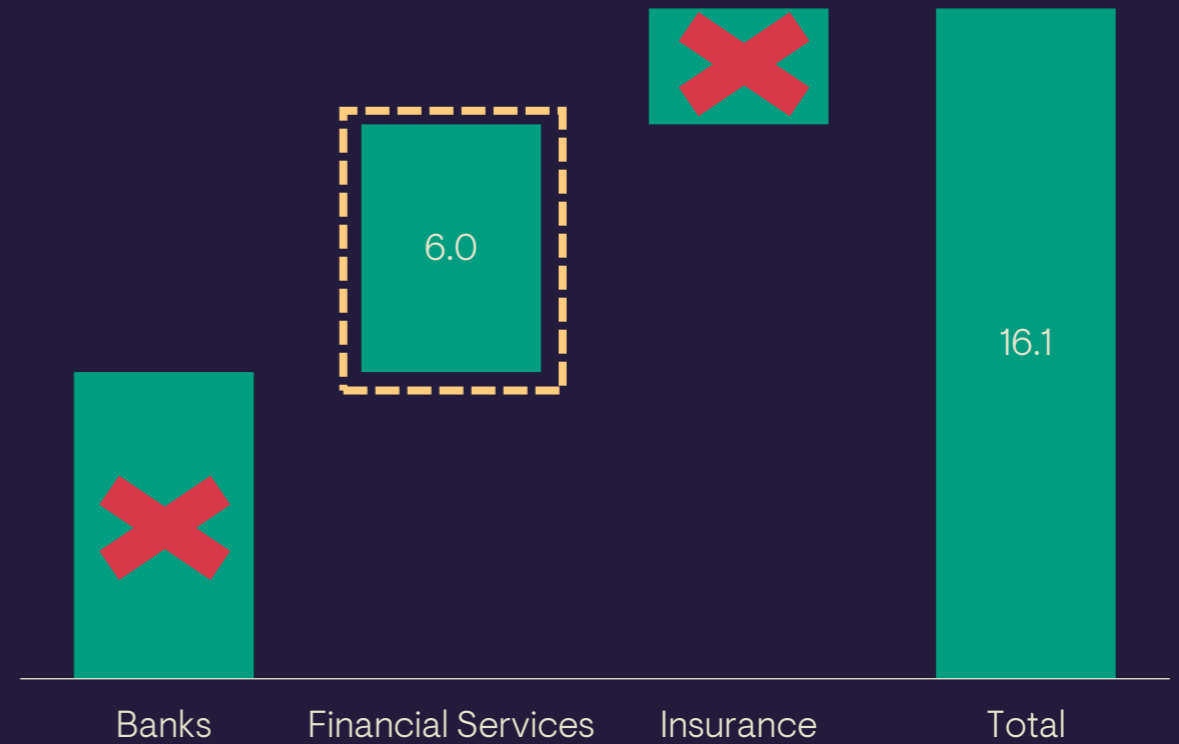


Global financials – more than just banks

Global financials by count



Global financials by market value (\$trn)



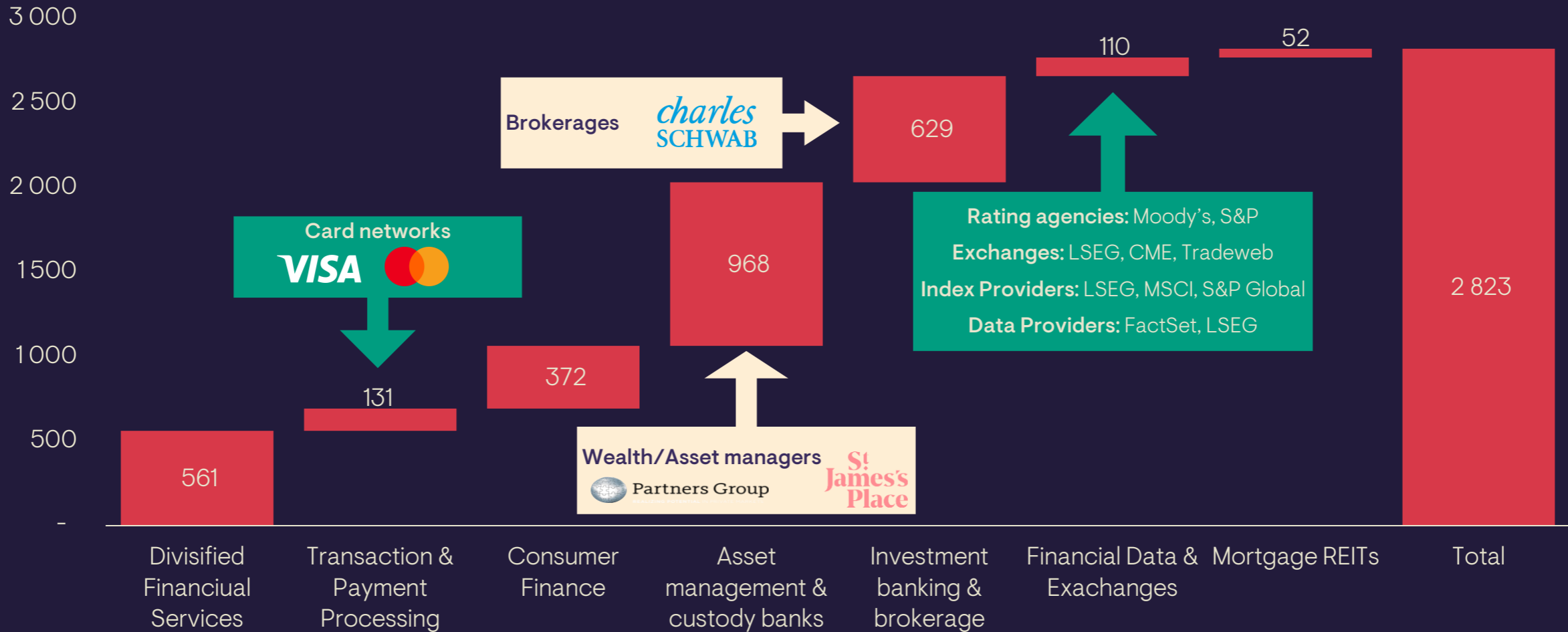
As Quality investors, when building global portfolios we do not invest in traditional bank or insurance business models





Financials is one of the most diverse sectors

Breakdown of Financial Services industry

Financial Services by Count



 = Core opportunity set

 = Highly select opportunities



From ~5,000 financials, only a handful of companies meet our criteria

S&P Global

St James's Place



LSEG

MSCI

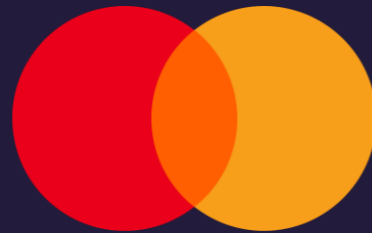


FACTSET



Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

charles SCHWAB



VISA



Tradeweb

MOODY'S



CME Group



AON



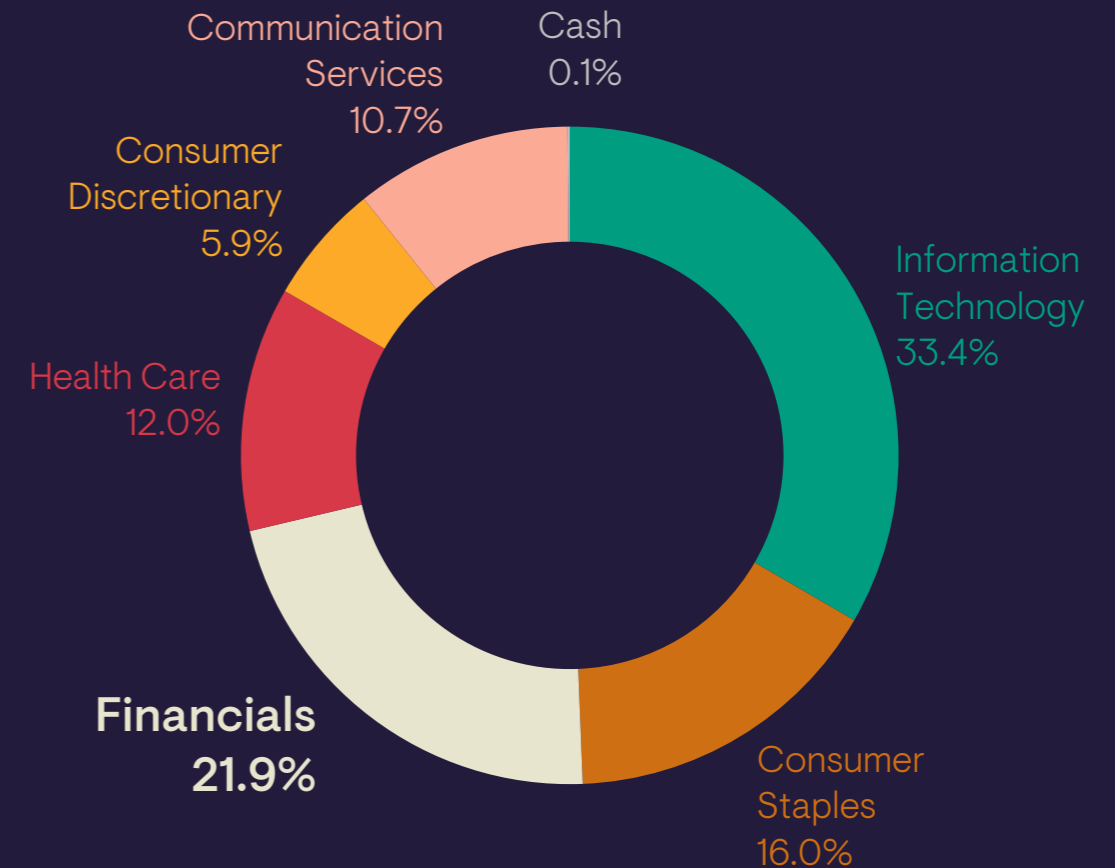
Marsh McLennan

AJBell

Not all financials are equal...

- Financials is one of the most heterogenous and diverse sectors
- Traditional indexes dominated by low quality Banks and Insurers in terms of their financials exposure
- Our quality portfolios will continue to have a large aggregate exposure to Financials, but via extremely attractive secular growth businesses
- We expect Financials to continue to be a material driver of relative returns for years to come

Global Franchise fund sector allocations





Thank you

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