Weekly **Trader**

Upcoming Market Opportunities and Events

CANTOR Fitzgerald

Monday,16th November 2020

Key Themes This Week

The Week Ahead
Equity markets registered strong gains last week however the tech-heavy NASDAQ was the outlier registering a decline of almost 2%. This weak performance compared to gains of over 7% for UK equities, almost 5% for European markets, 3.5% for the Dow Jones and a more modest 1.5% for the S&P 500. There were two catalyst for this strong performance last week:

The first was the declaration of the US election in favour of Joe Biden, despite persistent and increasingly divisive claims by President Trump that he was the victor and his refusal to concede defeat. While the final result did not deliver the much anticipated 'blue wave' for the Democrats, the fact that the Senate remains, for the time being at least, in the control of the Republicans means that the risk of market negative regulatory reform in the technology sector along with potential tax increases are unlikely to be delivered by the new President.

The second and possibly the more significant catalyst for markets came through the announcement by Pfizer and its partner BioNtech of a breakthrough in the delivery of a vaccine, with 90% efficacy in Phase 3 trials. As we have been suggesting for some time now, the delivery of positive vaccine news could act as a significant market event and this was evident in a sudden and violent rotation into the undervalued and beaten-down value sectors of the market at the expense of the more expensive growth sectors such as technology. This rotation resulted in particularly strong gains for those sectors most impacted by lockdowns and restrictions such as travel & leisure, hospitality and retail along with energy and financials this also explains the significant underperformance by the technology sector, in particular those with a stay-at-home theme.

Without doubt the news of a potential vaccine is extremely encouraging as is the fact that updates on other potential vaccines from Moderna, AstraZeneca/ Oxford University, Johnson & Johnson and Sanofi/GlaxoSmithKline are expected over the coming months. While the discovery of a vaccine is incredibly significant it is tempered somewhat by the logistical issues that arise in the form of the delivery of the vaccine in sufficient quantities to have a meaningful global impact as well as the storage requirements, which in Pfizer's case, requires that the vaccine must be stored at a temperature of -80 degrees. In reality, the full delivery of the vaccine will be some months away, but in the meantime virus cases are hitting record highs on a daily basis in the US and Europe which has resulted in the imposition of new lockdowns and restrictions.

This fact was not lost on either the ECB or the Federal Reserve last week with both central banks warning of the negative economic consequences of this renewed wave of infections, and intimating that further policy measures will be required to assist the global economy in the period until a full workable vaccine is available.

From an investment perspective, we maintain our positive medium to longer-term outlook for markets and continue to advise clients to add exposure to the value sectors on any weakness. Equally however, we also believe that the any weakness in our preferred technology names should be used as an opportunity to add exposure as despite their underperformance on the week, they will continue to be dominant players even in a post-Covid environment.

This week in the Trader we cover UK telecoms group **Vodafone** who announced results this morning, **Kingspan Group** who have released a trading update and **Microsoft** following the release of our research note on the stock on Friday. We also include the usual update on the **MIM Multi-Asset Funds**.

Major Markets Last Week

	Value	Change	% Move
Dow	29,480	1156.41	4.08%
S&P	3,585	75.71	2.16%
Nasdaq	11,829	-65.94	-0.55%
MSCI UK	14,226	322.64	2.32%
DAX	13,077	596.70	4.78%
ISEQ	7,177	184.00	2.63%
Nikkei	25,907	1067.09	4.30%
Hang Seng	26,307	291.13	1.12%
STOXX 600	385	18.78	5.13%
Brent Oil	43.31	0.91	2.15%
Crude Oil	40.75	0.46	1.14%
Gold	1892	28.70	1.54%
Silver	24.96	0.86	3.55%
Copper	325.85	9.65	3.05%
Euro/USD	1.1857	0.00	0.37%
Euro/GBP	0.8968	0.00	-0.07%
GBP/USD	1.3221	0.01	0.42%

	Value	Change
German 10 Year	-0.56%	-0.05
UK 10 Year	0.34%	0.06
US 10 Year	0.88%	-0.05
Irish 10 Year	-0.24%	-0.07
Spain 10 Year	0.10%	-0.09
Italy 10 Year	0.65%	-0.11
BoE	0.1	0.00
ECB	0.00	0.00
Fed	0.25	0.00

All data sourced from Bloomberg

Opportunities this week

CFI Research Team

Kingspan Group PLC

Closing Price: €79.75

Key Metrics	2020e	2021e	2022e
Revenue (€'Mn)	4541.7	4915.9	5191.8
EPS (€)	1.92	2.15	2.39
Price/ Earnings	41.53x	37.04x	33.39x
Div Yield	0.20%	0.58%	0.61%

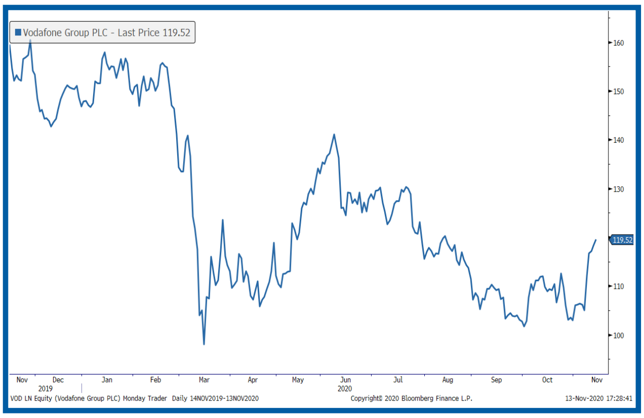
Total Return	1 Mth	3 Mth	YTD
KSP ID	-0.50%	21.57%	46.46%

Source: All data & charts from Bloomberg & CFI

- In a better than expected 9-month trading update, Kingspan reported underlying revenue down 10% while acquisitions saw reported revenue only dip 4.7% to €3.27bn. Net debt at the end of September was €312.0m, with working capital "somewhat lower" than usual, which is expected to normalise in the coming months. Markets are said to be in reasonable shape, but visibility is limited. That said, the company is looking to deliver full year trading profit "marginally ahead of 2019".
- In the two key divisions, Insulated Panels (62% of FY19 and H120 trading profit) reported a 6% decrease in sales over the 9-month period, an improvement on the 7.8% decrease reported in H120 with Q3 only down 3%. Insulation Board (24% of trading profit) saw revenue down 14% over the nine months, again an improvement on the 18.3% fall reported in the H120 results. Third quarter sales were only down 5%. In both divisions, third quarter sales and order intake activity improve in a number of key markets.
- Light & Air reported a 30% increase in revenue over the period (+46% in Q3), driven by acquisitions with underlying sales down 9% (+20% in H120 with LFL at -9%) and it was similar in Data & Flooring, where acquisitions drove a 6% increase in revenue although underlying sales were down 5% (+14% reported -9% LFL in H120). Water and Energy reported a 5% decline in revenue (-10% in H120).
- Up 45% ytd, the stock is trading at a stretched 37.0x FY21 P/E and 24.0x EV/EBITDA, which is not only an over 90% premium to its 10-year average but also an over 60% premium to its peers. The stock is priced to perfection and while this update may stimulate some upward momentum over the short-term, the continued lack of a dividend might dampen investor enthusiasm, at such levels.

Vodafone Group PLC

Closing Price: £1.19



Key Metrics	2021e	2022e	2023e
Revenue (€'Mn)	43477.7	44339.9	45031.9
EPS (€)	0.05	0.08	0.09
Price/ Earnings	25.12x	17.75x	14.63x
Div Yield	6.83%	6.98%	7.06%

Total Return	1 Mth	3 Mth	YTD
VOD LN	6.71%	-0.60%	-15.94%

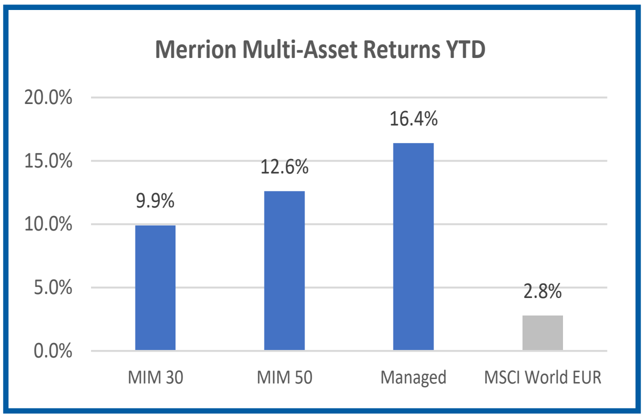
Source: All data & charts from Bloomberg & CFI

- This morning Vodafone issued a solid set of H121 results ahead of market expectations, reporting adj. EPS of 4.11c (2.6c forecast) from EBITDA of €7.02bn (consensus €6.86bn) and revenue of €21.43bn (€21.38bn forecast). The main driver of the outperformance was the much better than expected organic service revenue, which only was down 0.4% in the period versus consensus expectations of -2.27%. The company declared an interim dividend of 4.50c, in line with last year and ahead of market expectations at 4.0c.
- At the time of its Q121 trading update, management reiterated previous FY21E guidance of free cash flow (pre-spectrum charges) of at least €5bn (FY20A was €5.7bn) and adj. EBITDA to be "flat to slightly down". With the H121 numbers in line with company expectations, the free cash flow guidance has been reaffirmed. The company is now guiding FY21 adj. EBITDA to be in the €14.4bn to €14.6bn range, which while lower than the €14.9bn reported in FY20 is still higher than consensus, which is currently at €14.3bn.
- The potential catalyst for Vodafone remains the spin-off of its European tower infrastructure business first mooted in July 2019. The business consists of c.61,700 Vodafone masts sited across 10 countries. Three quarters of the sites are in Vodafone's principal European markets, namely Germany, the UK, Italy and Spain. The entity has pro-forma revenue of €950m and EBITDA of €680m, which at current multiples we believe could value the business at c.€13bn. Management has noted that the IPO is on track for early 2021.
- Despite last week's market-driven rally, Vodafone is down over 19% year-to-date, but at 25.2x FY21E P/E and 6.4x EV/EBITDA, trades at a considerable premium to its peers. While a dividend yielding 6.9% gives some comfort we believe that the stock has rallied back up to close to fair value.

Opportunities this week

CFI Research Team

Merrion Investment Managers Multi Asset Range (30/50/70)



Total Return	YTD
MIM 30	9.9%
MIM 50	12.6%
Managed	16.4%
MSCI World (EUR)	2.8%

Returns as of the 12/11/2020
Gross Returns

- MIM multi asset (30/50/70) funds offer well-diversified exposure with the ability to perform in different market environments. Year to date the funds have outperformed peers and benchmarks during both strong and weak market episodes.
- Excellent choice across the range, to suit the different risk profiles of clients.
- Despite the extreme rotation from momentum stocks into value seen in the market over the past week, MIM funds are still outperforming for the month.
- A combination of election results and vaccine news spurred the market higher benefiting MIMs overweight equity allocation. Within equities, they are overweight structural growth themes but also have exposure to Covid recovery / cyclical value opportunities.
- The strength in growth names over the election week followed by the strength in value names this week meant that this barbell approach has reaped dividends.
- The team have made very few changes to the funds, apart from some further additions to their hedges given the exceptional rally month to date. Whilst the vaccine news is very positive, in the near -term rising Covid case numbers and hospitalisations may dent market confidence.
- Despite the short-term uncertainties and volatility ahead with Brexit and Covid-19 news, equity markets will look to the combination of zero rates and fiscal expansion which will continue to drive investment into the industries that will dominate the next decade.
- The continued benefit of MIM's active approach, driven by a strong, coherent, and well-tested investment process should be evident over the course the 4th quarter of this year & into next year.

Microsoft Corp

Closing Price: $216.51

Key Metrics	2021e	2022e	2023e
Revenue ($'Mn)	157780	175267	197464
EPS ($)	6.73	7.42	8.55
Price/ Earnings	32.16x	29.19x	25.32x
Div Yield	0.99%	1.06%	1.15%

Total Return	1 Mth	3 Mth	YTD
MSFT US	-1.43%	3.89%	38.38%

Source: All data & charts from Bloomberg & CFI

- We issued a flash note on Microsoft on Friday highlighting that we believe such a cash generative business remains undervalued at current levels. Despite having appreciated 37% year-to-date, the stock currently trades at an 11% discount to its FANG+ peer group. Our peer-comparative derived price target of $245 would have the stock trading at parity with that peer group.
- As this implies a 14% upside to the current price and is back with a well-supported dividend currently yielding 1%, we retain our Buy recommendation on the stock. Microsoft also consistently returns capital to shareholders through share buybacks, having committed an average of $28.3bn per annum to this over the past six years and in FY20 represented a further 1.3% return per share.
- Microsoft's business model is highly cash generative operating as it does at an EBITDA margin of over 45%, with free cash flow conversion averaging 3.2x over the past three years. As such, the balance sheet has been in a net cash position for the past six years. While management is continually adding to the business both organically (six-year average capex of $10.57bn) and through acquisitions ($6.14bn spent on average per annum over the same time period), management has also consistently returned capital to shareholders.
- An average of $19.91bn has been deployed in share buybacks over the past six years, with a further $12.40bn given back in dividends over the same period. The scale of this return of capital is not reflected in the yield, currently running at 1.0%, given the over 37% share price appreciation year-to-date and 106% price increase over the past two years.

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	4.9%
Benchmark	-0.2%
Relative Performance	5.1%
P/E Ratio	28.01x
Dividend Yield	2.4%
ESMA Rating	6
Beta	0.99

Sector	Portfolio	Benchmark	+ / -
Consumer Discretionary	7%	7%	
Consumer Staples	7%	11%	
Energy	0%	11%	
Financials	0%	3%	
Health Care	13%	13%	
Industrials	7%	15%	
Information Technology	27%	12%	
Communication Services	13%	16%	
Utilities	13%	7%	
Materials	0%	2%	
Real Estate	7%	4%	
Emerging Markets	7%	0%	

FX	Portfolio	Benchmark
EUR	47%	32%
GBP	13%	13%
USD	40%	40%
Other	0%	16%

Currency YTD %	
GBP	-5.67%
USD	-5.43%

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution
STOXX Europe 600	EUR	39	Neutral	60%	-5.0%	5.2%	385	-3.0%
S&P 500	USD	28	Neutral	40%	12.8%	2.2%	3585	2.8%
Total				100%				

Core Portfolio

Weighted Average Contribution

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	Total Return Local	Weekly Return	Price	*Contribution
Verizon Communications Inc	USD	4.1%	H	Communication Services	6.67%	3.8%	4.3%	61.06	0.2%
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	69.3%	-5.5%	3128.81	0.1%
JPMorgan Emerging Markets Trust	GBp	1.3%	H	Emerging Markets	6.67%	17.6%	1.0%	1.23	1.2%
Allianz Se	EUR	5.1%	H	Financials	6.67%	-7.2%	13.6%	190.94	0.3%
JPMorgan Chase & Co	USD	3.1%	H	Financials	6.67%	-15.2%	10.8%	114.08	1.0%
Sanofi	EUR	3.7%	H	Health Care	6.67%	-0.9%	3.0%	85.80	-0.2%
Vinci Sa	EUR	1.9%	H	Industrials	6.67%	-12.1%	16.6%	85.74	0.7%
Siemens Gamesa Renewable Energy	EUR	0.1%	H	Industrials	6.67%	75.9%	6.5%	27.42	1.3%
Fedex Corp	USD	1.0%	H	Industrials	6.67%	82.2%	-2.8%	271.91	0.6%
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	3.0%	13.2%	15.07	1.4%
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	74.4%	-7.0%	188.62	0.3%
Microsoft Corp	USD	1.0%	H	Information Technology	6.67%	38.4%	-3.2%	216.51	0.4%
Rio Tinto Plc	GBP	6.8%	H	Materials	6.67%	13.0%	2.4%	4732.00	-0.3%
Smurfit Kappa Group Plc	EUR	3.4%	H	Materials	6.67%	8.3%	0.2%	36.12	0.5%
Engie	EUR	4.6%	H	Utilities	6.67%	-14.6%	11.5%	12.30	0.2%
Total					100%				

All data taken from Bloomberg up until 13/11/2020.

*Contribution since being reweighted on the 16.09.2020

Warning : Past performance is not a reliable guide to future performance

Warning : The value of your investment may go down as well as up.

*Red Denotes Deletions

*Green Denotes Additions

*Yields are based on the mean of analyst forcast

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	**Corporate**	**Corporate**	**Corporate**	**Corporate**
Vodafone Group PLC Kingspan Group PLC	Hibernia REIT plc Imperial Brands PLC Home Depot Inc Walmart Inc	British Land Co PLC NVIDIA Corp	ITV PLC	
Economic	**Economic**	**Economic**	**Economic**	**Economic**
China Industrial Output China Retail Sales US Empire Manuafacturing	US Retail Sales US Retail Sales ex-Autos US Industrial Production	EZ HICP MoM EZ HICP YoY EZ HICP- Core MoM EZ HICP- Core YoY	US Initial Claims US Continuing Claims US Philly Fed	UK Retail Sales MoM UK Retail Sales YoY UK Retail Sales ex-Autos EZ Consumer Confidence

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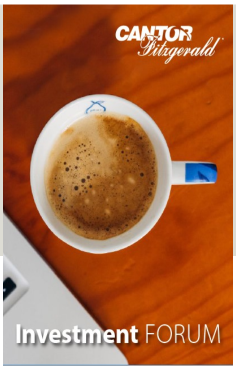

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Danone: Danone operates as a food processing company.
DCC: DCC is a sales, marketing, distribution and business support services company.
Glanbia: Glanbia plc is an international dairy, consumer foods, and nutritional products company. The Company conducts operations primarily in Ireland, the United Kingdom, and the United States
Microsoft: Microsoft Corporation develops, manufactures, licenses, sells, and supports software products.
PayPal: PayPal operates a technology platform that enables digital and mobile payments on behalf of customers and merchants
Pfizer: Pfizer Inc. operates as a pharmaceutical company. The Company offers medicines, vaccines, medical devices, and consumer healthcare products for oncology, inflammation, cardiovascular, and other therapeutic areas
Royal Dutch Shell: Royal Dutch Shell explores, produces, and refines petroleum
SAP: SAP is a software corporation that makes enterprise software
Smurfit Kappa: Smurfit Kappa manufactures paper packaging products
Verizon: Verizon Communications Inc. is an integrated telecommunications company that provides wire line voice and data services, wireless services, internet services, and published directory information.
VINCI SA: VINCI is a global player in concessions and construction with expertise in building, civil, hydraulic, and electrical engineering
Total: TOTAL S.A. explores for, produces, refines, transports, and markets oil and natural gas. The Company also operates a chemical division which produces polypropylene, polyethylene, polystyrene, rubber, paint, ink, adhesives, and resins.
Newmont Goldcorp: Newmont acquires, explores, and develops mineral properties.
Greencoat Renewables: Greencoat operates as an investment company. The Company invests in wind and renewable electricity generation assets.
Sanofi: Sanofi operates as a pharmaceutical company. The Company manufactures prescription pharmaceuticals and vaccines. Sanofi also develops cardiovascular, thrombosis, metabolic disorder, central nervous system, and oncology medicines and drugs.
Engie: Engie is a global energy and services utility company
FedEx: FedEx delivers packages and freight to multiple countries and territories through an integrated global network
Kennedy Wilson: Kennedy-Wilson Holdings, Inc. operates as a global real estate investment company
ING Groep: ING Groep is a global financial institution providing retail and wholesale financial services.
BT Group: BT Group is a UK based telecommunications company.
Carnival: Carnival operates and owns cruise ships
Siemens Gamesa: SGRE designs and manufactures renewables energy equipment

Historical Recommendation:

None of the above recommendations have been disclosed to the relevant issuer prior to dissemination of this Research.

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