

Weekly Trader

Upcoming Market Opportunities and Events



Monday, 14th December 2020

Key Themes This Week

The Week Ahead

Global equity markets traded lower last week declining by on average 2% as ongoing uncertainties surrounding Brexit and a US stimulus package weighed. Also adding to this weaker environment for risk assets was a continuing deterioration in the number of virus cases in the US along with increased and extended restrictions in a number of European countries.

Brexit was the dominant concern for European investors last week as the failure to make any meaningful progress on the trade negotiations, despite the intervention of PM Johnson and EU Commission President von der Leyen, increased the risk of a no-deal outcome. While the UK did make a concession in the form of the Northern Ireland Protocol, the major stumbling blocks surrounding fishing rights, governance and the level playing field remained unresolved. This impasse in the negotiations was reflected in the currency markets with sterling declining on the week by almost 2% against both the euro and the US dollar and reflected the markets concern about the eventual outcome of the talks. While any announcement of a deal would be welcome and result in a rally in sterling, we would view any such rally as being short-lived as even if a deal is agreed, it will in our opinion, leave the UK in a much weaker position than the one it has currently with the EU.

The other dominant factor for markets last week was the continued inability of the Republicans and the Democrats to reach agreement on a fifth US stimulus package. The need for such a package intensified last week as the latest weekly jobless claims data saw a significant increase in claims as the fresh round of lockdowns and stay-at-home orders across a number of states impacted. Equally, with a number of key support packages due to expire by year-end, the absence of a new stimulus package to replace these will have a negative short-term impact on the US economy.

We do however view both of the above issues as short-term headwinds for the markets and view the support of global central banks as evidenced by the ECB policy actions last week, ongoing fiscal support and the increased pace of vaccine deliveries as supportive measures for our medium to longer term positive outlook for markets. As highlighted in recent weeks, we would view the current period of market weakness as an opportunity for clients to add exposure to both the value and growth sectors of the market as we see further positive upside for markets in 2021.

This week we cover French utility group **Engie** and French infrastructure group **Vinci**, both of which we see offering attractive entry levels after last weeks market weakness. We also provide our usual update on the **MIM Multi-Asset Range** of funds which continue to outperform the broader markets.

MSCI World Index



Major Markets Last Week

	Value	Change	% Move
Dow	30,046	-171.89	-0.57%
S&P	3,663	-35.66	-0.96%
Nasdaq	12,378	-86.36	-0.69%
MSCI UK	14,764	-16.11	-0.11%
DAX	13,114	-184.66	-1.39%
ISEQ	7,315	-156.74	-2.10%
Nikkei	26,732	185.00	0.70%
Hang Seng	26,386	-121.02	-0.46%
STOXX 600	390	-3.92	-0.99%
Brent Oil	50.64	1.85	3.79%
Crude Oil	47.21	1.45	3.17%
Gold	1832	-30.49	-1.64%
Silver	23.89	-0.59	-2.43%
Copper	354.35	2.70	0.77%
Euro/USD	1.2155	0.00	0.38%
Euro/GBP	0.9078	0.00	0.30%
GBP/USD	1.339	0.00	0.07%
German 10 Year		-0.62%	-0.04
UK 10 Year		0.17%	-0.18
US 10 Year		0.91%	-0.02
Irish 10 Year		-0.31%	-0.03
Spain 10 Year		0.01%	-0.05
Italy 10 Year		0.55%	-0.06
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

Engie SA

Closing Price: €12.34



Key Metrics	2020e	2021e	2022e
Revenue (€'Mn)	57550.8	60273.8	59283.2
EPS (€)	0.71	1.03	1.12
Price/ Earnings	17.42x	11.99x	11x
Div Yield	4.43%	6.01%	6.43%

Total Return	1 Mth	3 Mth	YTD
ENGI FP	0.33%	3.31%	-14.31%

Source: All data & charts from Bloomberg & CFI

- As we have previously flagged, the two catalysts we see driving sustainable price growth in Engie are its mid-term growth prospects and the additional stimuli that could come from its flagged assets disposal programme. On underlying growth, the business remains robust and in our forecasts is set to grow EBITDA at a 3-year CAGR of 8.5%, well ahead of its peers with an EBITDA CAGR of 5.9% (source Bloomberg). On the sale of non-core assets, the company successfully completed the sale of its 29.9% shareholding in Suez for €3.4bn in Q320 and has flagged the sale of at least €8bn worth of assets to focus on renewables (currently 16% of EBITDA). Incorporating the Suez sale into forecasts has our FY20 ND/EBITDA drop to a comfortable 2.6x, despite the pandemic-driven drop in EBITDA.
- The company is now in the process of considering opportunities to divest non-core businesses and minority stakes and as such has initiated a strategic review of its options for its 40.0% stake in GTT. In theory, generating a further €4.0bn on non-core asset sales in FY21 could see FY21 ND/EBITDA tick down to 2.1x. Stretching that to 2.5x could release over €4bn to fund either organic or acquisitive growth. If assigned to acquisitions, at current multiples it could add over 4% to FY21 earnings
- Apart from a dip in late October, Engie's share price has been slowly recovering from the mid-March sell-off. That said, it is still down 14% year-to-date. It is trading at 12.0x FY21 P/E and 5.8x EV/EBITDA, representing an over 30% discount to its European peers. We continue to believe this discount to be unjustified, particularly given the above noted underlying performance and upside potential. In addition, given its broad geographic footprint, with limited exposure to the UK and its growing ESG credentials (16% of EBITDA from renewables) we reiterate our buy recommendation with an unchanged €15.20 target price.

Vinci SA

Closing Price: €84.58



Key Metrics	2020e	2021e	2022e
Revenue (€'Mn)	42812.5	46714.4	48741.6
EPS (€)	2.29	4.75	5.75
Price/ Earnings	36.93x	17.81x	14.7x
Div Yield	1.90%	3.01%	3.74%

Total Return	1 Mth	3 Mth	YTD
DG FP	-1.35%	8.74%	-13.28%

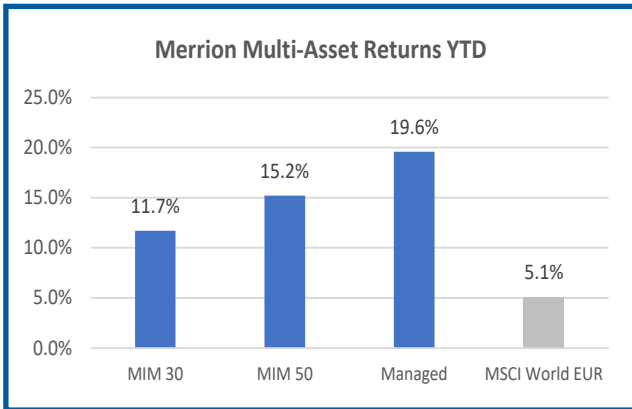
Source: All data & charts from Bloomberg & CFI

- In mid-November Vinci revised its 2020 motorway forecast downwards, guiding that over the year traffic will be down between 20 and 25% compared to previous guidance of a 15-20% contraction. This has been driven by continued Covid-19-related restrictions in place in France. All other guidance remained unchanged. Subsequently, as part of its on-going business and in demonstration of its geographic footprint, the company announced that it was leading a consortium that is the preferred bidder for a €600m motorway contract in the Czech Rep which was followed up by signing a €388m contract to construct a dam in Senegal.
- We believe that the flow of contracts illustrates the resilience of the sector through the pandemic, exposed as it is to Government-funded infrastructure projects. With its global footprint and almost unique business model where it can both build and then operate facilities, we consider Vinci the best placed in the sector to benefit from any post-pandemic recovery and/or Government driven economic stimuli, which often come in the form of infrastructure projects. We also believe that Vinci's business diversity spreads risk. The Contracting division (c.30% of Group profit) operates three primary businesses, Vinci Construction (building and civil engineering), Vinci Energies (electrical engineering and construction) and Eurovia (road/rail/runway building unit). The higher margin Concessions division (c70% of Group profit) manages and operates roads, airports and stadia. Vinci Immobilier is the Group's small real estate sub-division
- Vinci is currently trading at 17.8x FY21 P/E and 10.3x EV/EBITDA. The recent rally in the stock price (up 31% over two weeks) saw Vinci's share price break through our DCF-derived price target of €80. That said, ticking up our mid-term revenue growth on the back of contract wins to 4.0% from 3.0% previously, while leaving all other factors unchanged, sees our price target increase to €95. As this implies a 12.7% upside, we retain our Buy recommendation.

Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	11.7%
MIM 50	15.2%
Managed	19.6%
MSCI World (EUR)	5.1%

Returns as of the 10/12/2020
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.
- Diversification with active management can deliver very strong returns with reduced volatility in times of market stress
- MIM funds positioning was largely unchanged on the week with some trading around individual position sizes given the moves over the last month
- Whilst the vaccine news is very positive, in the near-term rising Covid-19 case numbers and hospitalisations may dent market confidence.
- Within equities, they are overweight structural growth themes but also have exposure to Covid-19 recovery / cyclical value opportunities.
- 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.

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	6.7%
Benchmark	0.6%
Relative Performance	6.2%
P/E Ratio	29.71x
Dividend Yield	2.3%
ESMA Rating	6
Beta	0.96

Sector Weights	Portfolio	Benchmark	+ / -
Communication Services	6.7%	6.9%	
Consumer Discretionary	6.7%	10.6%	
Consumer Staples	0.0%	10.8%	
Energy	0.0%	3.0%	
Financials	6.7%	12.7%	
Health Care	6.7%	14.8%	
Industrials	26.7%	11.9%	
Information Technology	13.3%	16.5%	
Materials	20.0%	6.5%	
Real Estate	0.0%	2.4%	
Utilities	6.7%	4.0%	
Emerging Markets	6.7%	0.0%	

FX	Portfolio	Benchmark
EUR	53%	32%
GBP	13%	13%
USD	33%	40%
Other	0%	16%

Currency YTD %		
GBP	-6.80%	
USD	-7.75%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution
STOXX Europe 600	EUR	39	Neutral	60%	-3.7%	-1.0%	390	-2.2%
S&P 500	USD	28	Neutral	40%	15.4%	-0.9%	3663	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%	2.6%	-1.9%	60.35	-0.1%
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	68.7%	-1.5%	3116.42	-0.1%
JPMorgan Emerging Markets Trust	GBP	1.3%	H	Emerging Markets	6.67%	23.0%	0.9%	1.29	1.4%
Allianz Se	EUR	5.0%	H	Financials	6.67%	-7.1%	-3.7%	191.16	0.3%
JPMorgan Chase & Co	USD	3.0%	S	Financials	0.00%	-11.1%	-2.3%	119.56	1.6%
Sanofi	EUR	4.1%	H	Health Care	6.67%	-9.3%	-6.1%	78.52	-0.7%
Vinci Sa	EUR	1.9%	H	Industrials	6.67%	-13.3%	-4.4%	84.58	0.6%
Siemens Gamesa Renewable Energy	EUR	0.1%	H	Industrials	6.67%	85.5%	2.8%	28.92	1.7%
Fedex Corp	USD	0.9%	H	Industrials	6.67%	94.4%	-1.6%	289.47	0.9%
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	5.8%	-9.3%	15.48	1.6%
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	97.9%	-1.7%	214.06	1.0%
Microsoft Corp	USD	1.0%	H	Information Technology	6.67%	36.7%	-0.5%	213.26	0.1%
Rio Tinto Plc	GBP	5.7%	H	Materials	6.67%	32.4%	1.8%	5546.00	0.6%
Smurfit Kappa Group Plc	EUR	3.5%	H	Materials	6.67%	12.4%	2.4%	37.22	0.8%
CRH Plc	EUR	2.3%	H	Materials	6.67%	-6.0%	-6.0%	32.44	-0.5%
Engie	EUR	4.4%	H	Utilities	6.67%	-14.3%	-1.3%	12.34	0.2%
Total					100%				

All data taken from Bloomberg up until 11/12/2020.

*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 forecast

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	Corporate	Corporate	Corporate	Corporate
	Industria de Diseno Textil SA		Accenture PLC FedEx Corp	NIKE Inc
Economic	Economic	Economic	Economic	Economic
EU Industrial Production	UK ILO Employment French Final HICP US Industrial Production Japanese Trade Balance	UK CPI UK PPI German Flash Markit Composite PMI Irish EU Flash Markit Composite PMI Irish Residential Property Prices US Retail Sales US Flash Markit Composite PMI US Fed Interest rate Announcement	EU Final HICP BoE Interest Rate Announcement US Housing Starts US Initial Jobless Claims US Philly Fed Index	BoJ Rate Announcement UK Gfk Consumer Confidence UK Retail Sales German Ifo

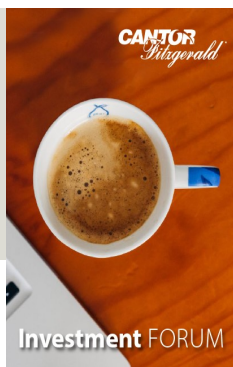
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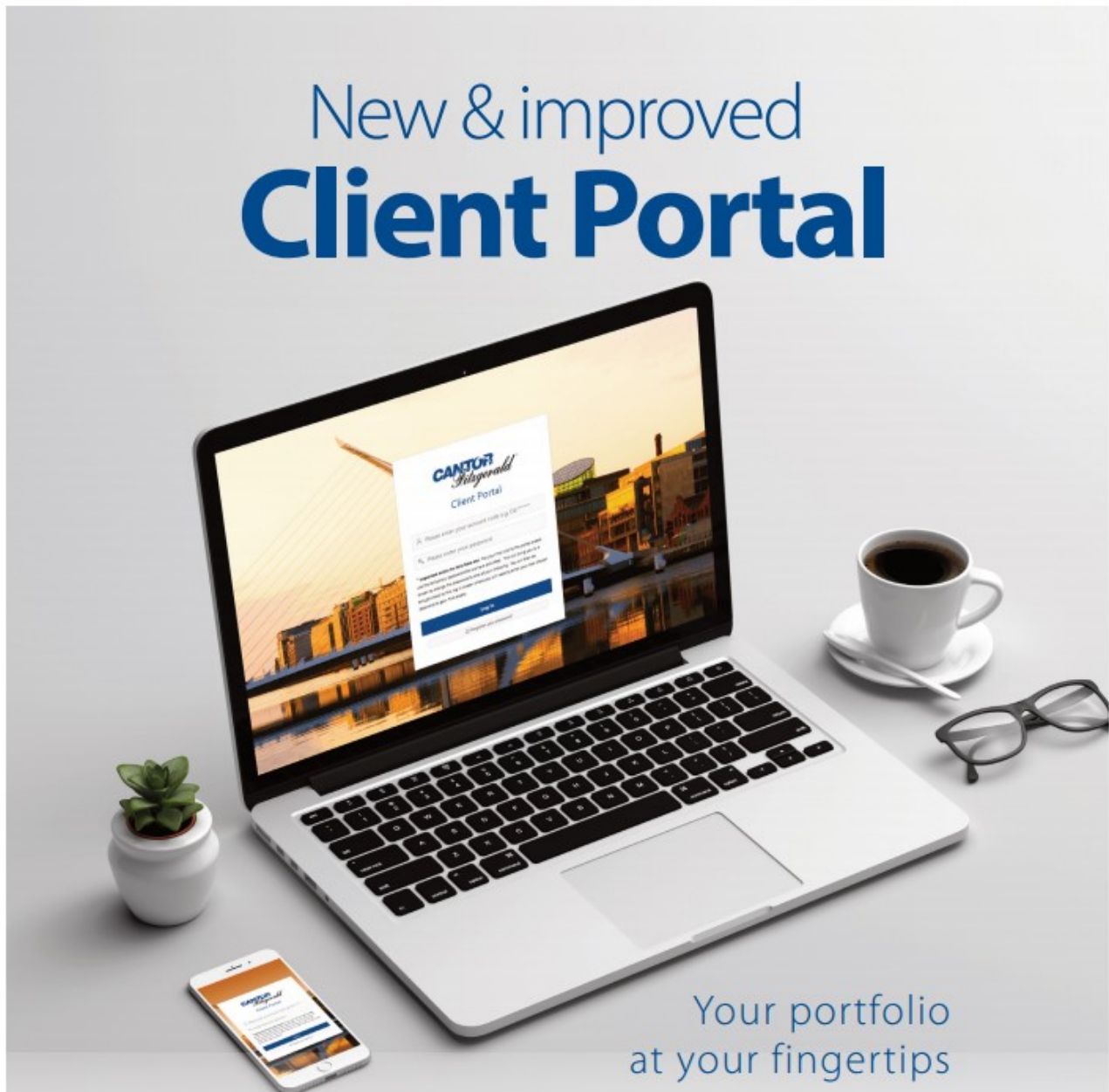


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Issuer Descriptions: (Source: Bloomberg)

Allianz: Allianz through its subsidiaries, provides insurance and financial services.

Alphabet: Alphabet provides web-based search, advertisement, maps, software applications, mobile operating systems, consumer content and other software services.

Amazon: Amazon is an online retailer that offers a wide range of products.

Dalata Hotel Group: Dalata Hotel Group owns and operates as a chain of hotels.

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

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