

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Tuesday, 8th June 2021

Key Themes This Week

The Week Ahead

Global equity markets registered modest gains last week of on average 0.4% maintaining a trend that has developed over the last month. This has not been a major surprise to us given that we previously observed that following the exceptionally strong first-quarter reporting season, some new catalyst would be required to move markets higher. By way of example, both the S&P 500 and NASDAQ are unchanged over the last month while European markets are faring slightly better with gains of circa 2%. Co-incidentally, bond yields are virtually unchanged over the same time period with the US 10 Year yield anchored around the 1.60% mark and the German 10 Year yield hovering close to the -0.20% level.

This subdued price action in bond markets over the last month is particularly interesting given that over that timeframe there has been increased speculation over the future path of inflation and the possible timing of tapering by the US Federal Reserve. We have previously outlined our views on why we do not believe the recent increase in inflation will be prolonged and would note that the current holding pattern in core bond yields suggests that bond investors hold a similar view.

While recent comments from a number of Federal Reserve members have highlighted that the time to discuss a possible taper of asset purchases is close, the overall market reaction has been calm as the realisation sinks in that the peak levels of both monetary and fiscal policy support has arrived and that the US and indeed global economies are growing at a sufficient pace to counteract any change in policy. Indeed this reality over the peak levels of monetary and fiscal policy support has been reflected in the more economically sensitive market sectors, which have struggled to add to their spectacular recoveries in recent quarters.

This in our opinion leaves the growth focused market sectors poised to resume their market leadership that was a feature of the market for much of 2020 during the peak of the Covid-19 pandemic. If, as we anticipate, bond yields remain at or close to their current levels, even in the event of a policy shift by the Fed, this will be highly supportive of the structural leaders in the technology and renewable sectors. While these two sectors have struggled in recent weeks, we remain confident that this pattern will reverse over the coming months.

We therefore maintain our positive outlook for markets, particularly as the Fed, by acknowledging that a review of its asset purchase programme is required in the coming months, helps avoid a major policy mistake it would make by having to take a reactive policy decision.

In this weeks Trader we re-iterate our positive view on **Hibernia REIT** following recent strong results and our meeting with management. We also highlight UK insurer **Aviva** following the restructuring of its operations as well as a comment on **Datalex** which announced a significant fund raising last Friday. We also include our usual comment on the **MIM Multi-Asset Fund range**.

Major Markets Last Week

	Value	Change	% Move
Dow	34,630	100.79	0.29%
S&P	4,227	22.41	0.53%
Nasdaq	13,882	132.98	0.97%
MSCI UK	16,273	8.18	0.05%
DAX	15,677	256.02	1.66%
ISEQ	8,294	7.87	0.09%
Nikkei	28,964	149.22	0.52%
Hang Seng	28,710	-757.99	-2.57%
STOXX 600	454	6.80	1.52%
Brent Oil	70.94	0.69	0.98%
Crude Oil	68.8	1.08	1.59%
Gold	1,897	-3.65	-0.19%
Silver	27.75	-0.15	-0.53%
Copper	449.35	-16.00	-3.44%
Euro/USD	1.2179	0.00	-0.28%
Euro/GBP	0.8605	0.00	-0.31%
GBP/USD	1.4155	0.00	0.04%
		Value	Change
German 10 Year		-0.21%	-0.03
UK 10 Year		0.81%	0.01
US 10 Year		1.55%	-0.05
Irish 10 Year		0.19%	-0.01
Spain 10 Year		0.47%	0.00
Italy 10 Year		0.91%	0.01
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

Hibernia REIT

Closing Price: €1.23



Key Metrics	2021e	2022e	2023e
Revenue (€'Mn)	66.4	66.9	65.0
EPS (€)	0.06	0.05	0.06
Price/ Earnings	19.87x	22.81x	20.53x
Div Yield	4.22%	4.22%	4.22%

Total Return	1 Mth	3 Mth	1 Year
HBRN ID	7.13%	8.83%	13.94%

Source: All data & charts from Bloomberg & CFI

- Hibernia REIT management have a clear plan on how the business will progress over the mid-term. While project developments have been held back by pandemic-related lockdowns and on reopening may be hindered by raw material shortages, these should be temporary in nature. Properties coming onto the market over the short-term are not fully rented but we understand that the demand is there with clients only holding off until there is clear momentum in the return to office movement.
- Over the mid-term, the REIT's Clanwilliam and Harcourt properties are coming off the market for redevelopment. While rental income will dip, management is committed to retaining the dividend at current levels. With available finance of €240m against a 5-year capex spend of €300m, we believe that the REIT will return to the debt market to fund the difference, but with the current LTV still low at 30%, it has more than adequate headroom to tap the debt market. In redeveloping its properties, Hibernia is looking to differentiate them within the market by providing buildings that not only meet but exceed current ESG standards.
- Since its partial recovery from the pandemic-induced market sell-off in March 2020, Hibernia REIT has been trading in the €1.00 to €1.20 range, the upper level still some 15% below pre-pandemic levels. While net asset value slipped 4% to 172.7c per share at fiscal year-end, it means that the stock is currently trading at an over 30% discount to NAV. We understand that some discount to the UK sector, which is trading at an average 14% premium to NAV, would be expected given the market's caution (possibly unjustified now) on Irish property valuations after the previous crisis, the relatively small size of the REIT and the uncertainty over Irish government direction on taxes and stamp duty. That said, we would consider the level of discount overstated.

Datalex plc

Closing Price: €0.55



Key Metrics	2021e	2022e	2023e
Revenue (\$'Mn)	28.4	29.5	-
EPS (\$)	-0.03	0.01	-
Price/ Earnings	-	133.96x	-
Div Yield	0.00%	0.00%	-

Total Return	1 Mth	3 Mth	1 Year
DLE ID	3.77%	2.61%	143.36%

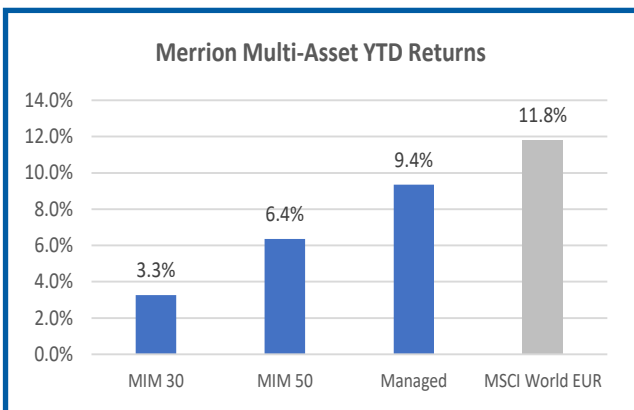
Source: All data & charts from Bloomberg & CFI

- Last Friday, Datalex announced and subsequently completed a €25m gross (€23.7m net) capital raise in an equity offering priced at 50c. The transaction took the form of a Cornerstone placing of €14.7m, a Firm Placing of €4.2m and an Open Offer available to Qualifying Shareholders of €6.1m. 50m shares are to be issued representing 60.86% of existing ordinary shares. Three major shareholders took up €16.8m in total, with IIU committing €14.5m, Pageant Investments Ltd €1.5m and Mr Nicholas Furlong €0.8m, representing the Cornerstone placing and their respective entitlements under the Open Offer. Management also participated in the capital raise. The raise is conditional on shareholder approval at an EGM to be held on the 1st of July.
- The €25m equity raise will be used to not only replace existing debt but also allow the company to raise working capital to accelerate the development and promotion of its new suite of cloud-based products. Through 2020 management took the opportunity to realign the Datalex business offering, transitioning it into a SaaS product first company (software delivery and licencing via on-line subscription rather than being bought and installed on individual computers), with all products now cloud-based. This should enable customers to respond quickly to changing business requirements.
- The recently launched product portfolio is set to position the company for post-pandemic recovery. These include Datalex Merchandiser and Datalex Dynamic. Merchandiser allows airlines to sell ancillaries at every customer touchpoint while Dynamic provides advanced price and product determination capability to adjust offers in real-time. This will allow airlines to make the right offer to the right customer at the right time. We believe that these products are generating significant interest and have the potential to be differentiators in the market. As such, we believe that the risk to forecasts and valuation is to the upside over the mid-term.

Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	3.3%
MIM 50	6.4%
Managed	9.4%
MSCI World (EUR)	11.8%

Returns as of the 03/06/2021

- MIM multi asset (30/50/Managed) 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
- The funds are currently positioned above the mid-point of their asset allocation range for growth assets, with a bias towards structural growth and commodity exposure.
- In recent weeks MIM have increased their relative exposure to some of the secular winners in Tech that had de-rated during the Q1 rotation into Cyclical. This week the team continued to rotate out of fully valued cyclicals and added some beneficiaries of the decarbonisation mega-trend.
- Despite the uncertainties presented by Covid-19, 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 of this year.

Aviva plc

Closing Price: £4.11



Key Metrics	2021e	2022e	2023e
Revenue (£'Mn)	39203.0	44164.0	-
EPS (£)	0.50	0.49	0.54
Price/ Earnings	8.24x	8.43x	7.67x
Div Yield	5.62%	6.11%	6.53%

Total Return	1 Mth	3 Mth	1 Year
AV/ LN	0.27%	7.09%	53.09%

Source: All data & charts from Bloomberg & CFI

- Aviva would appear to be undervalued, trading as it does at 0.8x price/book, 1.1x tangible book value and 8.x FY21 P/E versus its European peers who are currently trading at an average 1.3x P/B, 1.6x P/TBV and 11.3x P/E. The business is also generating a 10.7% return on equity compared to an industry average of 10.1% excluding Legal & General, which is trading on extend multiples. Having recovered from the pandemic-driven market sell-off in March 2020, for the past 10 weeks the stock has been trading at its pre-pandemic price. At this level, the stock is generating an attractive dividend yield of 5.6%.
- In March, Aviva reported FY20 results with strong beats across the board. However, we believe that this was overshadowed by the positive news on the acceleration of the debt reduction planned through a £800m tender offer, which together with upcoming maturities and calls will reduce debt by £1.7bn in H121. The sale of its remaining Italian operations for €0.9bn was also announced, which together with the expected proceeds from the sale of Aviva Vita, will result in total cash received for its Italian operation of £1.1bn. The transactions are expected to complete by end of 2021 and will add another £0.9bn to excess capital above the 180% solvency II cover ratio.
- Management has been clear that excess capital above the 180% solvency ratio will be returned to shareholders, dependent on attaining the target of a solvency II leverage ratio below 30%. In its Q121 update, disposals and the successful completion of a £1bn tender saw the debt leverage ratio fall to 28%, with a further reduction of 2% expected in Q221. The solvency II cover ratio was at 209%. As such, over a relatively short period, new management has focussed the business, sold non-core assets and strengthening the balance sheet, changing the narrative from one of recovery to one of potential capital returns to shareholders through increased dividends and/or share buybacks.

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	Corporate	Corporate	Corporate	Corporate
		Industria de Diseno Textil SA Campbell Soup Co	Halma PLC Auto Trader Group PLC	
Economic	Economic	Economic	Economic	Economic
German Industrial Orders EU Sentix Index	Japanese GDP German Industrial Output German ZEW Economic Sentiment EU GDP EU Employment US NFIB Business Optimism US JOLTS Job Openings	Chinese PPI Chinese CPI German Trade Balance	French Industrial Output Irish CPI ECB Refi Rate ECB Press Conference US CPI US Initial Jobless Claims	UK GDP UK Industrial Production US Preli. Michigan Consumer Sentiment

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	9.7%
Benchmark	14.9%
Relative Performance	-5.2%
P/E Ratio	28.95x
Dividend Yield	2.3%
ESMA Rating	6
Beta	1.05

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	4.04%	
USD	0.11%	

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution	
STOXX Europe 600	EUR	39	Neutral	60%	15.8%	1.6%	454	9.3%	
S&P 500	USD	28	Neutral	40%	13.3%	0.6%	4227	5.6%	

Core Portfolio

Weighted Average Contribution

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	Total Return Local	Weekly Return	Price	*Contribution	
Verizon Communications Inc	USD	4.3%	H	Communication Services	6.67%	-0.5%	1.3%	57.20	0.0%	
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	-1.8%	-0.8%	3198.01	-0.1%	
JPMorgan Emerging Markets Trust	GBP	1.3%	H	Emerging Markets	6.67%	2.2%	0.2%	1.33	0.5%	
Allianz Se	EUR	4.5%	H	Financials	6.67%	13.7%	1.3%	218.30	0.9%	
Sanofi	EUR	3.8%	H	Health Care	6.67%	13.6%	-0.9%	86.18	0.9%	
Vinci Sa	EUR	2.5%	H	Industrials	6.67%	18.1%	1.1%	93.91	1.2%	
Siemens Gamesa Renewable Energy	EUR	0.0%	H	Industrials	6.67%	-24.0%	-6.4%	25.16	-1.5%	
Fedex Corp	USD	0.9%	H	Industrials	6.67%	17.1%	-3.6%	303.34	1.2%	
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	1.2%	-2.5%	16.46	0.0%	
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	11.3%	0.2%	260.60	0.9%	
Microsoft Corp	USD	0.9%	H	Information Technology	6.67%	14.6%	1.7%	253.81	0.9%	
Rio Tinto Plc	GBP	6.4%	H	Materials	6.67%	17.8%	1.3%	6141.00	1.6%	
Smurfit Kappa Group Plc	EUR	2.8%	H	Materials	6.67%	17.1%	0.3%	43.59	1.1%	
CRH Plc	EUR	2.5%	H	Materials	6.67%	30.6%	2.3%	43.55	1.9%	
Engie	EUR	4.3%	H	Utilities	6.67%	3.1%	2.0%	12.39	0.2%	

All data taken from Bloomberg up until 04/06/2021.

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

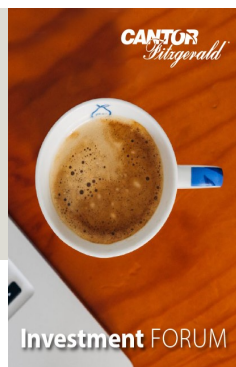
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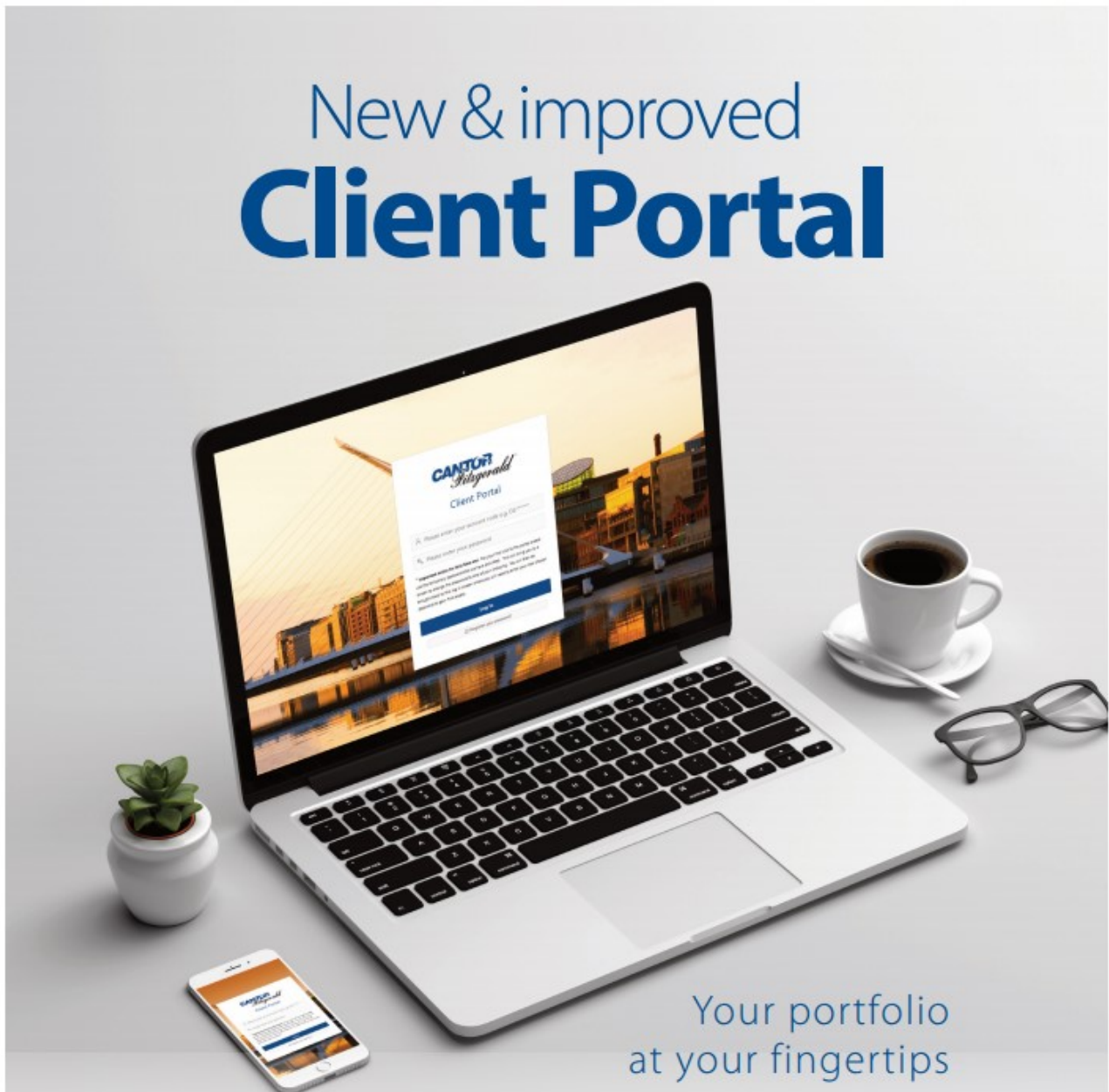


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Amazon: Amazon is an online retailer that offers a wide range of products.

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.

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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.

Greencoast Renewables: Greencoast 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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