

Monday, 28<sup>th</sup> June 2021

## Key Themes This Week

### The Week Ahead

Global equity markets turned in an impressive performance last week with gains of on average 2.2% and new record highs being achieved by both the S&P 500 and NASDAQ. While overall market volumes remained at their seasonal low levels, market breadth improved with gains for both the Value and Growth sectors of the market.

There was something for both styles within the market last week, with the Value sectors being boosted by news that President Biden had at last reached an agreement on his \$1.2tn Infrastructure Bill which will include \$579bn of new spending, as well as generally positive economic data and an exceptional set of results from Nike. For the Growth area of the market, there was the positive backdrop of continued stability in the bond market with yields broadly unchanged on the week, an in-line Core PCE reading on Friday and the re-iteration by both the Chair and Vice-Chair of the Federal Reserve of the Central Bank's commitment to its current monetary policies. These comments were decisively made in an apparent response to the very hawkish comments from Fed committee members Bullard and Kaplan which deviated from the reassuring message communicated by Chair Powell in his recent post-policy meeting press conference. Also supporting the Growth sectors of market last week were dovish comments from the Bank of England which echoed the messages from both the Fed and the ECB about inflation being transitory and that now was not the time to alter the course of monetary policy.

Another factor supporting markets and helping to reaffirm the current views of central banks on inflation was the price action in the commodity space which saw copper and iron ore remain virtually unchanged on the week and approximately 7% off their May highs. Equally, the soft commodities of wheat and soybeans are now trading 16.5% and 23% respectively off their recent highs, while lumber is now trading 52% below its May high. The combined effect of these price declines has been to lower expectations for inflation thereby providing central banks with the justification for maintaining their current assessment of the inflation outlook. For the Federal Reserve in particular, Fridays in-line reading of its preferred inflation measure, Core PCE, will further support Chair Powell's current dovish outlook.

Based on the above and as outlined during last week's Markets Outlook webinar, we remain constructive on risk assets and continue to favour the growth and quality sectors of the market.

In this week's Trader we include comments on US logistics group **FedEx** following last weeks Q4 results which, in our opinion, provides an attractive buying opportunity, German auto manufacturer **Volkswagen** which is trading off recent highs and renewable energy group **Siemens Games Renewable Energy** which will be a beneficiary of the increase in 'green' spending as the EU's fiscal support fund is distributed among member states. We also include our regular update on the **MIM Multi-Asset Fund Range**.

## Major Markets Last Week

	Value	Change	% Move
Dow	34,434	1143.76	3.44%
S&P	4,281	114.25	2.74%
Nasdaq	14,360	330.01	2.35%

MSCI UK	16,419	173.89	1.07%
DAX	15,608	159.93	1.04%
ISEQ	8,374	210.84	2.58%

Nikkei	29,048	1037.09	3.70%
Hang Seng	29,248	759.16	2.66%
STOXX 600	458	5.58	1.23%

Brent Oil	76.18	1.28	1.71%
Crude Oil	74.19	0.53	0.72%
Gold	1,783	0.16	0.01%

Silver	26.12	0.17	0.65%
Copper	427.05	8.60	2.06%

Euro/USD	1.1931	0.00	0.10%
Euro/GBP	0.8578	0.00	0.29%
GBP/USD	1.3908	0.00	-0.19%

	Value	Change
German 10 Year	-0.16%	0.01
UK 10 Year	0.78%	0.03
US 10 Year	1.52%	0.03

Irish 10 Year	0.22%	0.02
Spain 10 Year	0.47%	0.02
Italy 10 Year	0.91%	0.03

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

### Volkswagen AG

Closing Price: €215.95



Key Metrics	2021e	2022e	2023e
Revenue (€'Mn)	250569	264203	274984
EPS (€)	26.73	30.85	34.26
Price/ Earnings	8.07x	7x	6.3x
Div Yield	3.09%	3.80%	4.28%

Total Return	1 Mth	3 Mth	1 Year
VOW3 GY	-4.51%	-5.29%	67.84%

Source: All data & charts from Bloomberg & CFI

- German car manufacturer Volkswagen is trading up 45% year-to-date, yet is almost 12% from its highs seen in early April. We believe that any material weakness in the share price presents an opportunity to pick up or add to positions in the company, which is strategically positioning its business to best benefit from the global push towards electric vehicles as the world focuses its attention on sustainability targets. Volkswagen is trading at 7.4x FY21 P/E and 7.6x EV/EBITDA, a discount to its European peers but a 13% premium to its 5-year average, that said on long-term momentum rather than a specific spike.
- In early May, Volkswagen issued a strong set of Q121 numbers ahead of market expectations, while noting that the positive business development in the second half of FY20 continued into Q121. Based on the Q121 performance, Volkswagen raised its operating profit margin guidance, now anticipating it to come in between 5.5% and 7.0% against revenue “significantly higher” than FY20. The Group anticipates that deliveries to customers in 2021 will be significantly up on last year’s deliveries, despite continued challenging market conditions. Volkswagen has said in recent weeks that it expects a shortage in semiconductor supply to ease in Q3 but sees a c.10% chip shortage over the long-term as building up production capacities takes up to two years.
- It is anticipated that forward growth will be driven by the company’s relatively new Brand strategy released at the end of 2020 when the Together 2025+ programme was launched. On what it believes to be a strong all-electric platform, Volkswagen is targeting that by 2022, 27 MED-based models will be offered throughout the Group. The company is looking to generate an operating margin of 6.0-7.0% by 2022, rising to 7-8% by 2025, with a return on investment rising from 10-12% in 2022 to over 14% by 2025.

### Siemens Gamesa Renewable Energy SA

Closing Price: €27.32



Key Metrics	2021e	2022e	2023e
Revenue (€'Mn)	10422.5	11132.7	11901.6
EPS (€)	0.38	0.73	0.98
Price/ Earnings	71.89x	37.37x	27.76x
Div Yield	0.05%	0.28%	0.66%

Total Return	1 Mth	3 Mth	1 Year
SGRE SM	0.77%	-5.99%	77.88%

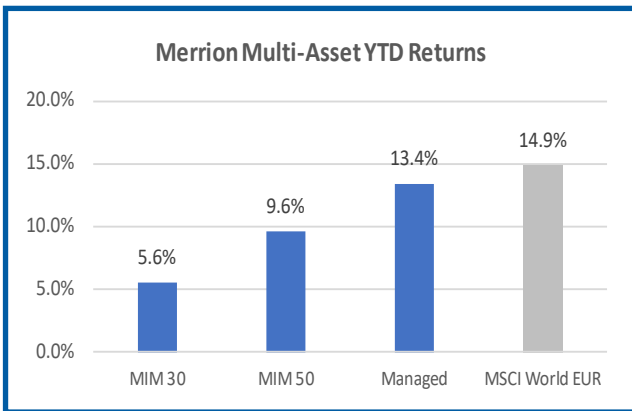
Source: All data & charts from Bloomberg & CFI

- Given the scale and scope of its business offering, Siemens Gamesa remains our preferred play in the renewable energy sector which, despite a very poor start to the year, has enjoyed better performance in recent weeks with progress in US infrastructure bill talks providing an additional catalyst for positive momentum in the sector. Coupling this with growing demands for companies not only to improve their carbon footprint but to do so over shorter time periods, will see the renewable energy sector come back into favour.
- Building on its 6% sales growth in Q221, it is currently forecast that Siemens Gamesa’s will grow revenue by 13.7% in Q321 to €2.74bn. Expansion is expected to be driven by continued gains in the company’s Offshore business, which rose 13% in Q2, given that the Offshore backlog stands at 8GW, backed by a pipeline of 7.4GW. The company’s expansion is expected to also be supported by its Service business, which rose 10% in 2Q. With a forecast operating margin of 4.2%, adj. EBIT is forecast to come in at €116.4m versus a loss of €163.0m in Q320.
- We highlighted a couple of weeks ago that with our house view on the transitory nature of inflation, movement in bond yields and concurrent market rotation from value into growth, that any weakness in share price presents an ideal opportunity to pick up a stock with strong ESG credentials, with our stance remaining unchanged. Despite a 10% climb from its range lows to the low-to-mid €27 area, the stock is still down 20% year-to-date. The stock is trading at 37.7x FY22 P/E and 15.9x EV/EBITDA, a considerable premium to its broad peer base but broadly in line with close competitors Vestas Wind Systems and Orsted. The multiples reflect general price strength across the sector as investors look to increase their ESG exposure in their portfolios.

## Opportunities this week

CFI Research Team

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



Total Return	YTD
MIM 30	5.6%
MIM 50	9.6%
Managed	13.4%
MSCI World (EUR)	14.9%

Returns as of the 24/06/2021

- 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 slightly above the mid-point of their asset allocation range for growth assets, with a bias towards structural growth.
- 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.
- The team have been expecting the move lower/stabilisation in bond yields to change the leadership in the equity market, and over the last couple of weeks growth and quality companies have reasserted themselves as the equity leaders.
- 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.

## FedEx Corp

Closing Price: \$291.95



Key Metrics	2022e	2023e	2024e
Revenue (\$'Mn)	90478.6	95033.5	99509.6
EPS (\$)	20.96	23.48	25.28
Price/ Earnings	13.92x	12.43x	11.54x
Div Yield	1.00%	1.06%	1.21%

Total Return	1 Mth	3 Mth	1 Year
FDX US	-7.02%	4.04%	126.76%

Source: All data & charts from Bloomberg & CFI

- Core portfolio stock FedEx fell over 3.5% on Friday on the back of reporting its Q421 earnings, with the market seemingly uninspired by the solid results and the FY22 guidance provided. EPS for the quarter was \$5.01 (vs \$5.02 expected), with quarterly revenue of \$22.6bn (vs \$21.5bn expected), representing QoQ growth in EPS of 97% on 30% growth in revenue. Over 100% growth in adjusted operating income (Q421 \$1.97bn vs Q420 \$0.91bn) demonstrates the positive effects of Covid-19 on the logistics industry, which is characterised by lower shipping capacity and increased demand from e-commerce.
- In its results, FedEx confirmed its pricing power, noting a 14% surge in Ground yields, even after an 11% year over year increase last quarter, while Express yields jumped 11% and Freight yields jumped 8%, resulting in a 350bps increase in the adj. EBIT margin. Rising package density, robust B2C and B2B growth and exceptional yield gains comfortably offset material pressure from wage inflation. Guidance for FY22 included an EPS forecast of \$18.90 - \$19.90 and capital spending of \$7.2bn, with continued investment in the key strategic priorities of e-commerce and operational excellence.
- The share price is up 15% year-to-date and 117% over the past 12 months. FedEx trades at 17.3x FY21 P/E and 11.3x EV/EBITDA, a c.30% discount to its peers. However, we value FedEx on a DCF basis to best capture future growth, with our \$355 price target implying c. 22% upside from current levels. Despite the adverse reaction by the market at the end of last week, we believe that the stock continues to provide good value in a growth sector, with the company expecting continued strong momentum in FY22 with investments focused on the likes of e-commerce and fleet automation expected to fuel sustained long-term growth as FedEx avails of its strong pricing power.

## This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>	<b>Corporate</b>
		Micron Technology Inc General Mills Inc	H & M Hennes & Mauritz AB Walgreens Boots Alliance Inc McCormick & Co Inc	
<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>	<b>Economic</b>
Irish Retail Sales	Japanese Retail Sales UK Nationwide House Prices EC Economic Sentiment German Flash HICP US Case-Shiller US Consumer Confidence	Japanese Industrial Output UK Q1 GDP French Consumer Spending French Producer Prices German Unemployment Rate EU Flash HICP US Pending Home Sales	Chinese Final Caixin Manufacturing PMI German Retail Sales EU Unemployment Rate EU Final Manufacturing PMI US Initial Jobless Claims US Final Manufacturing PMI US Manufacturing ISM	EU Producer Prices US Non-Farm Payrolls US International Trade

# Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	12.0%
Benchmark	17.2%
Relative Performance	-5.2%
P/E Ratio	26.21x
Dividend Yield	2.4%
ESMA Rating	6
Beta	1.02

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	4.30%	
USD	2.31%	

### Benchmark

### Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution
STOXX Europe 600	EUR	39	Neutral	60%	17.0%	1.3%	458	10.2%
S&P 500	USD	28	Neutral	40%	14.8%	2.8%	4281	7.0%

### Core Portfolio

### Weighted Average Contribution

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	Total Return Local	Weekly Return	Price	*Contribution
Verizon Communications Inc	USD	4.5%	H	Communication Services	6.67%	-1.9%	1.0%	56.38	0.0%
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	4.4%	-2.5%	3401.46	0.5%
JPMorgan Emerging Markets Trust	GBP	1.3%	H	Emerging Markets	6.67%	2.7%	3.9%	1.34	0.5%
Allianz Se	EUR	4.8%	H	Financials	6.67%	11.8%	-1.2%	214.65	0.8%
Sanofi	EUR	3.7%	H	Health Care	6.67%	16.4%	0.3%	88.25	1.1%
Vinci Sa	EUR	2.5%	H	Industrials	6.67%	17.3%	-0.9%	93.26	1.2%
Siemens Gamesa Renewable Energy	EUR	0.1%	H	Industrials	6.67%	-17.4%	3.5%	27.32	-1.2%
Fedex Corp	USD	0.9%	H	Industrials	6.67%	13.0%	2.6%	291.95	1.1%
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	1.2%	-0.8%	16.45	0.1%
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	23.7%	2.2%	289.60	1.8%
Microsoft Corp	USD	0.8%	H	Information Technology	6.67%	19.7%	2.2%	265.02	1.5%
Rio Tinto Plc	GBP	6.5%	H	Materials	6.67%	16.3%	4.4%	6062.00	1.4%
Smurfit Kappa Group Plc	EUR	2.6%	H	Materials	6.67%	22.5%	3.8%	45.60	1.5%
CRH Plc	EUR	2.4%	H	Materials	6.67%	31.5%	5.6%	43.85	2.1%
Engie	EUR	6.1%	H	Utilities	6.67%	-3.2%	-2.3%	11.63	-0.2%

All data taken from Bloomberg up until 25/06/2021.

**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

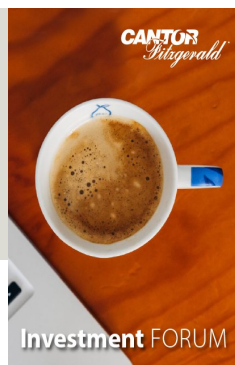
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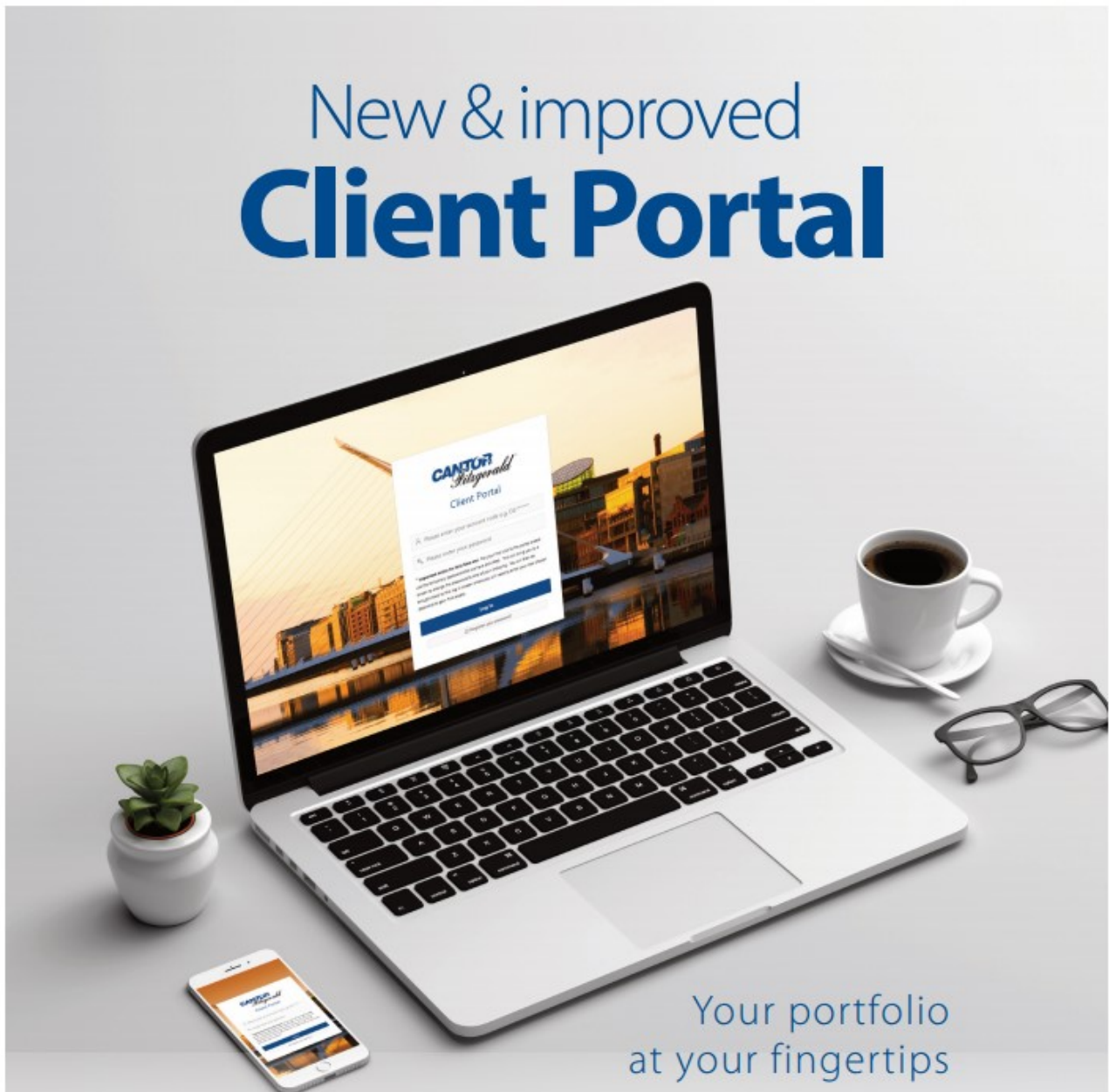


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**Alphabet:** Alphabet provides web-based search, advertisement, maps, software applications, mobile operating systems, consumer content and other software services.

**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.

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**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:

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