Weekly Trader

Upcoming Market Opportunities and Events

CANTOR Fitzgerald

Monday, 12th July 2021

Key Themes This Week

The Week Ahead
Following a number of weeks of fairly benign trading activity typical of the summer months, equity market volatility temporarily increased last week due to a number of factors. Despite this brief increase in volatility, markets overall finished largely unchanged.

Among the factors contributing to the mid-week volatility was the reversal in the recent upward trend in oil prices following the failure of OPEC+ to agree on production increases for the coming months with the UAE in particular objecting to the proposals put forward by Saudi Arabia. While the price of crude oil did stabilise towards the end of the week, the current outlook for the cartel is uncertain given reports that the UAE may eventually leave which could result in a dismantling of the current production agreement.

The resultant weakness in the oil price weighed on the energy sector adding to the pressure on the Value sectors of the market as the concept of 'peak growth' gained traction as a result of some weaker than expected economic data prints. While in absolute terms these data were still at elevated levels, they missed markets forecasts and demonstrated signs of a potentially weaker trend in the coming months.

This concept of peak growth was reflected in bond markets with yields in core government bonds continuing to move aggressively lower, suggesting that bond investors believe the outlook for global growth is uncertain. It is also worth highlighting the shift in economic focus over the course of the last couple of weeks with concerns over global growth overtaking the previous concern over inflation sparked concerns of a reversal of monetary policy support. As we have been highlighting over the last number of weeks, our view is that any increase in inflation would be temporary. Apart form the recent move lower in commodity prices supporting this view, there was further evidence last week as Chinese CPI for June came in well below expectations, while the pricing component of recent PMI readings has also started to trend lower.

The final area which added to the market volatility last week was the move by the Chinese authorities to act against a number of Chinese technology companies, which resulted in large declines for a number of those companies with US listings. While the main centre of focus was on the recently quoted ride-hailing group Didi, other companies such as Tencent and Alibaba are also vulnerable to Chinese State interference.

Despite the uncertainty caused by the above factors, it is worth highlighting that the main barometer of market volatility, the Vix, was actually unchanged on the week. As a result we maintain our positive outlook for risk assets for the medium term with our continued preference for the Growth sectors of the market.

The coming week sees the start of the second quarter earnings season with the big US banks the first group to report with JPMorgan Chase and Goldman Sachs kicking it all off tomorrow.

In this week's Trader we include coverage of property investment group **Hibernia REIT**, auto manufacturer **Volkswagen** and German insurer **Allianz**, as well as the usual update on the MIM Multi Asset Funds. It is worth highlighting that the **Merrion Multi Asset Managed Fund** has been ranked the number 1 performing fund on a Year-to-Date, 1 Year, 3 Year, 5 Year and 10 Year time period as at the end of June in the latest Aon Hewitt Multi Asset Fund Survey.

Major Markets Last Week

	Value	Change	% Move
Dow	34,870	236.63	0.68%
S&P	4,370	49.61	1.15%
Nasdaq	14,702	179.54	1.24%
MSCI UK	16,434	-66.14	-0.40%
DAX	15,688	37.84	0.24%
ISEQ	8,236	-156.97	-1.87%
Nikkei	28,569	-29.17	-0.10%
Hang Seng	27,514	-629.42	-2.24%
STOXX 600	458	0.86	0.19%
Brent Oil	75.28	-1.88	-2.44%
Crude Oil	74.19	-0.97	-1.29%
Gold	1,799	7.57	0.42%
Silver	25.96	-0.52	-1.97%
Copper	430.9	3.30	0.77%
Euro/USD	1.186	0.00	-0.03%
Euro/GBP	0.8542	0.00	-0.32%
GBP/USD	1.3886	0.00	0.30%

	Value	Change
German 10 Year	-0.29%	-0.08
UK 10 Year	0.66%	-0.05
US 10 Year	1.35%	-0.07
Irish 10 Year	0.09%	-0.07
Spain 10 Year	0.35%	-0.05
Italy 10 Year	0.75%	-0.05
BoE	0.1	0.00
ECB	0.00	0.00
Fed	0.25	0.00

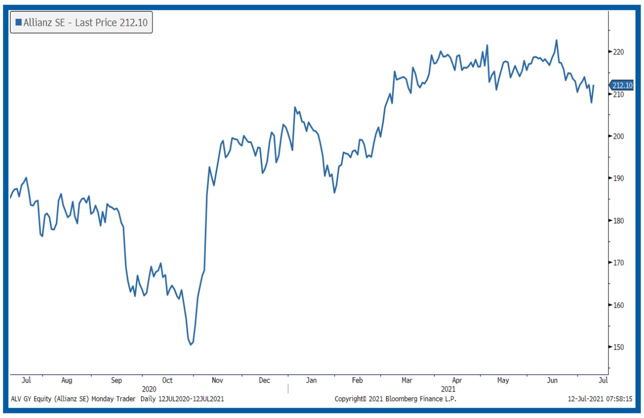
All data sourced from Bloomberg

Opportunities this week

CFI Research Team

Allianz SE

Closing Price: €212.10



Key Metrics	2021e	2022e	2023e
Revenue (€'Mn)	141901	149126	156700
EPS (€)	20.47	21.43	22.59
Price/ Earnings	10.36x	9.89x	9.39x
Div Yield	4.85%	5.11%	5.41%

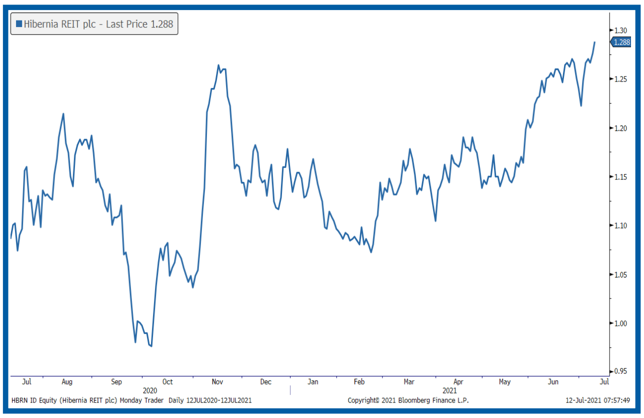
Total Return	1 Mth	3 Mth	1 Year
ALV GY	-2.44%	1.15%	21.34%

Source: All data & charts from Bloomberg & CFI

- We believe it an opportune time to revisit Allianz as we consider it to be trading at an attractive entry point. Having steadily recovered to pre-pandemic levels over a 12-month period (up over 80% from the March 2020 market sell-off), it has moved little since reporting a strong start to 2021 in the second week of May. Indeed, over the past month, the stock has drifted down to what we would see as a support level at €210. At this current price it is trading at 1.1x price/ book and 10.2x FY21 P/E, an over 15% weighted average discount to its peers. After strong Q121 numbers, the expectation is that Allianz could beat on H121 numbers driving forecast upgrades and fuelling price momentum. Trading at parity would imply a price target north of €250, supporting our Buy recommendation.
- In its H121 numbers due on the 6th of August, there is some risk that there may have been higher than normal claims in Germany, Switzerland and Austria in June, which could impact Q221 results. We believe, however, that this will almost all be offset by low claims in trade credit insurance and the recovery in dividend investment income. As such, there is the strong possibility that operating profit guidance will be raised - currently at €12.0bn, plus or minus €1bn. Currently, the market is forecasting that Allianz will report a 26% increase in FY21 adj. EPS to €20.58 from a 7% increase in operating profit to €12.27bn and 1% increase in revenue to €141.90bn.
- To recap on Q121 commentary, management noted that Allianz had an "excellent" start to 2021 which saw strong performances across all business segments. There was a marked rebound in profitability in Property-Casualty (higher underwriting), as well as in the Life/Health (recovery of investment margin) business segment. Asset Management operating profit growth benefited from higher average third-party assets under management (up €63bn to €1.77tr), increased performance fees and strong cost discipline.

Hibernia REIT plc

Closing Price: €1.29



Key Metrics	2022e	2023e	2024e
Revenue (€'Mn)	66.9	64.3	61.1
AFFOPS(€)	0.06	0.05	0.05
Price/ Earnings	21.83x	23.85x	25.25x
Div Yield	4.11%	4.19%	4.11%

Total Return	1 Mth	3 Mth	1 Year
HBRN ID	5.74%	15.72%	23.11%

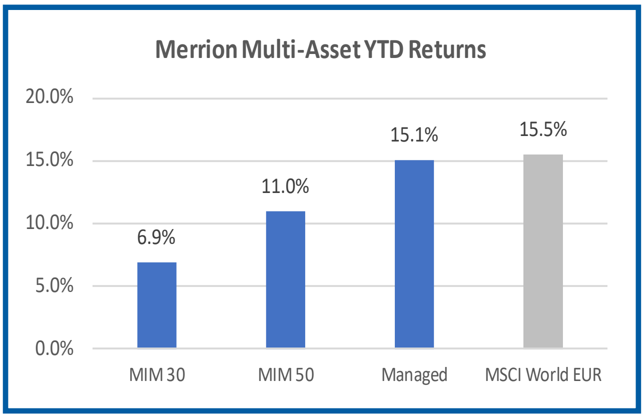
Source: All data & charts from Bloomberg & CFI

- 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.
- Over the past six weeks, Hibernia REIT's share price has breached and remained above the €1.20 level that had provided resistance for almost a year, one spike upwards notwithstanding. That said, we still believe that there is value in the stock at current prices, given that it continues to trade at a c.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. The stock currently provides an attractive 4.2% dividend yield.

Opportunities this week

CFI Research Team

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



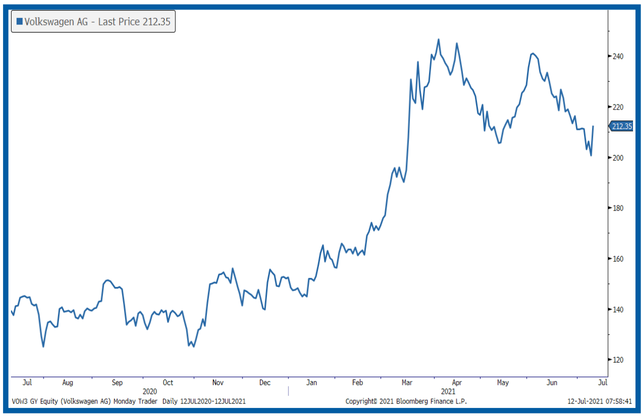
Total Return	YTD
MIM 30	6.9%
MIM 50	11.0%
Managed	15.1%
MSCI World (EUR)	15.5%

Returns as of the 08/07/2021

- 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 enter into the second half of 2021 slightly below their mid point at an asset allocation level, mainly driven by short positions in commodities reducing the overall growth asset exposure of the funds.
- The teams mantra for much of Q2 was about a rotation out of cyclical, low quality stocks as the global economic and earnings cycle had already peaked on the reopening, and into high quality and growth names.
- 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 and the new variants, 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.

Volkswagen AG

Closing Price: €212.35



Key Metrics	2021e	2022e	2023e
Revenue (€'Mn)	249922	263831	274873
EPS (€)	27.05	31.09	34.67
Price/ Earnings	7.85x	6.83x	6.12x
Div Yield	3.14%	3.87%	4.36%

Total Return	1 Mth	3 Mth	1 Year
VOW3 GY	-8.98%	-9.85%	57.19%

Source: All data & charts from Bloomberg & CFI

- On Friday afternoon, Volkswagen announced its preliminary figures for H121, ahead of the official release on July 29th. Deliveries to customers continued to recover strongly in the first half of the year, leading to very strong Group turnover and higher than anticipated operating profit and net cash flows. Based on preliminary figures, Volkswagen expects operating profit of around €11bn and Automotive net cash flow of around €10bn. Management also reported that the bottleneck in semiconductors has shifted forward and will impact production in H221 more so than the H121 impact it had previously been anticipating.
- This preliminary statement followed a strong set of Q121 numbers in May that came in ahead of market expectations, with management raising FY21 operating profit margin guidance, anticipating it to come in between 5.5% and 7.0% against revenue "significantly higher" than FY20. The Group anticipates that total deliveries to customers in 2021 will be significantly up on last year's deliveries, despite continued challenging market conditions. By 2025, the company is looking to generate an operating margin of 7-8%, with an ROI of over 14%, as the company generates cost-related efficiencies from the large-scale production of its EV fleet.
- Following the positive announcement, Volkswagen's share price closed up c.6% on Friday. However, recent sell pressure sees Volkswagen trading down over 14% from its highs in early April, despite being up 43% year-to-date and 52% over the last 12 months. Volkswagen is trading at 7.9x FY21 P/E and 2.7x EV/ EBITDA, a 17% discount to its European peers but an 11% premium to its 10-year average, that said on long-term momentum rather than a specific spike. Our view remains that any material weakness in the share price presents an opportunity to pick up or add to positions in Volkswagen, which is strategically positioning its business to benefit from the global push towards EVs as the world focuses its attention on sustainability targets.

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	**Corporate**	**Corporate**	**Corporate**	**Corporate**
	PepsiCo Inc JPMorgan Chase & Co Goldman Sachs Group	Bank of America Corp Wells Fargo & Co Delta Air Lines Inc BlackRock Inc Citigroup Inc	Bank of New York Mellon Corp US Bancorp UnitedHealth Group Inc Morgan Stanley Investor AB	Svenska Handelsbanken AB Swedbank AB Husqvarna AB Sandvik AB Charles Schwab Corp
Economic	**Economic**	**Economic**	**Economic**	**Economic**
Japanese Machinery Orders	German Final HICP French Final HICP US CPI	UK CPI UK PPI EU Industrial Production US PPI Final Demand	Chinese GDP Chinese Retail Sales Chinese Industrial Production US NY Fed / Empire State Index US Initial Jobless Claims US Philly Fed Index US Industrial Production	EU Final HICP US Retail Sales US Preli. Michigan Consumer Sentiment

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	13.2%
Benchmark	18.6%
Relative Performance	-5.4%
P/E Ratio	26.21x
Dividend Yield	2.5%
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	4.58%
USD	2.91%

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	Total Return Local	Weekly Return	Price	Contribution
STOXX Europe 600	EUR	39	Neutral	60%	17.1%	0.3%	458	10.3%
S&P 500	USD	28	Neutral	40%	17.2%	1.2%	4370	8.3%

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%	-1.4%	0.7%	56.07	0.1%
Amazon.Com Inc	USD	0.0%	H	Consumer Discretionary	6.67%	14.2%	8.3%	3719.34	1.2%
JPMorgan Emerging Markets Trust	GBp	1.3%	H	Emerging Markets	6.67%	1.9%	-1.5%	1.33	0.4%
Allianz Se	EUR	4.8%	H	Financials	6.67%	10.4%	-0.4%	212.10	0.7%
Sanofi	EUR	3.7%	H	Health Care	6.67%	15.0%	-0.8%	87.22	1.0%
Vinci Sa	EUR	2.5%	H	Industrials	6.67%	15.4%	0.2%	91.74	1.0%
Siemens Gamesa Renewable Energy	EUR	0.1%	H	Industrials	6.67%	-18.6%	-3.1%	26.93	-1.2%
Fedex Corp	USD	0.9%	H	Industrials	6.67%	14.7%	-0.9%	296.40	1.2%
Ryanair Holdings Plc	EUR	0.0%	H	Industrials	6.67%	-0.3%	-1.9%	16.21	0.0%
Paypal Holdings Inc	USD	0.0%	H	Information Technology	6.67%	28.2%	3.9%	300.21	2.1%
Microsoft Corp	USD	0.8%	H	Information Technology	6.67%	25.5%	2.3%	277.94	2.0%
Rio Tinto Plc	GBP	9.2%	H	Materials	6.67%	17.1%	2.5%	6106.00	1.5%
Smurfit Kappa Group Plc	EUR	2.6%	H	Materials	6.67%	24.6%	1.0%	46.39	1.6%
CRH Plc	EUR	2.4%	H	Materials	6.67%	27.1%	-0.8%	42.40	1.8%
Engie	EUR	4.5%	H	Utilities	6.67%	-3.4%	-1.3%	11.61	-0.2%

All data taken from Bloomberg up until 09/07/2021.

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 forcast

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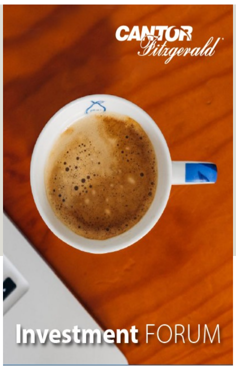

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Amazon: Amazon is an online retailer that offers a wide range of products.
Dalata Hotel Group: Dalata Hotel Group owns and operates as a chain of hotels.
Danone: Danone operates as a food processing company.
DCC: DCC is a sales, marketing, distribution and business support services company.
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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